

ANNUAL STATEMENT

For the Year Ended December 31, 2018

of the Condition and Affairs of the

Blue Care Network of Michigan

NAIC Group Code 572, 572 (Current Period) (Prior Pe		Code 95610	Employer's ID Number 38-2359234
Organized under the Laws of MI		le or Port of Entry MI	Country of Domicile US
Licensed as Business Type Health Mai		Is HMO Federally Qualified? Yes	•
Incorporated/Organized May 6, 1981	<u>.</u>	Commenced Business May 13, 1	981
Statutory Home Office	20500 Civic Center Drive Sout (Street and Number) (City or Town	thfield MI US 48076 n, State, Country and Zip Code)	
Main Administrative Office	20500 Civic Center Drive Sout (Street and Number) (City or Town	thfield MI US 48076 n, State, Country and Zip Code)	248-799-6400 (Area Code) (Telephone Number)
Mail Address		455 Southfield MI US 48076 (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records		thfield MI US 48076 n, State, Country and Zip Code)	248-799-6898 (Area Code) (Telephone Number)
Internet Web Site Address	www.BCBSM.com		
Statutory Statement Contact	Jill Angela Fiddes (Name) jfiddes@bcbsm.com		248-799-6898 (Area Code) (Telephone Number) (Extension) 844-852-7151
	(E-Mail Address) OFFIC	`EDC	(Fax Number)
Name 1. Tiffany Antonette Albert 3. James Peter Kallas	Title President & Chief Executive Officer Vice President of Finance & Treasurer	Name 2. Sheela Rao Manyam 4. Marc Darryl Keshishian MD	Title Secretary Chief Medical Officer
	ОТН	IEK	
	DIRECTORS O		
David Bing Janet Louise Harden	lulie Anne Angott Kenneth Ray Dallafior /aleriah Ann Holmon Gregory Alan Sudderth	Mark Robert Bartlett Shauna Ryder Diggs MD Robert Paul Kelch MD Mary Ann Weaver	William Harrison Black Sarah Winston Doyle Melvin Lyle Larsen
State of Michigan County of Oakland			

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

	(Signature) Tiffany Antonette Albert	_	(Signature) Sheela Rao Manya		(Signature) James Peter Kallas				
Pres	(Printed Name) sident & Chief Executive Officer		(Printed Name Secretary)	3. (Printed Name) Vice President of Finance & Treasurer				
	(Title)	_	(Title)		(Title)				
Subscribed an	d sworn to before me		a. Is this a	n original filing?	Yes [X] No []	1			
This	day of	2019	b. If no	State the amendment nu Date filed	umber				
				Number of pages attach	ed				

Statement as of December 31, 2018 of the Blue Care Network of Michigan ASSETS

	ASS	DE 15			5
		1	Current Year 2	3 Net Admitted	Prior Year 4
		Assets	Nonadmitted Assets	Assets (Cols. 1 - 2)	Net Admitted Assets
1.	Bonds (Schedule D)	1,431,884,075		1,431,884,075	1,118,675,125
2.	Stocks (Schedule D):				
	2.1 Preferred stocks			0	
	2.2 Common stocks	190,275,179		190,275,179	251,309,096
3.	Mortgage loans on real estate (Schedule B):				
	3.1 First liens			0	
	3.2 Other than first liens			0	
4.	Real estate (Schedule A):				
	4.1 Properties occupied by the company (less \$0 encumbrances)			0	
	4.2 Properties held for the production of income (less \$0 encumbrances)			0	
	4.3 Properties held for sale (less \$0 encumbrances)			0	
5.	$\label{eq:cash} \hbox{ (\$(33,657,650), Schedule E-Part 1), cash equivalents (\$211,750,247, Schedule E-Part 2) and short-term investments (\$334,789,600, Schedule DA)} $	512,882,197		512,882,197	639,812,555
6.	Contract loans (including \$0 premium notes)			0	
7.	Derivatives (Schedule DB)			0	
8.	Other invested assets (Schedule BA)	71,155,360		71,155,360	4,115,150
9.	Receivables for securities	725,059		725,059	
10.	Securities lending reinvested collateral assets (Schedule DL)			0	
11.	Aggregate write-ins for invested assets	0	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	2,206,921,870	0	2,206,921,870	2,013,911,926
13.	Title plants less \$0 charged off (for Title insurers only)			0	
14.	Investment income due and accrued	14,255,158		14,255,158	12,693,831
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	14,759,439	486,281	14,273,158	11,103,902
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums)			0	
	15.3 Accrued retrospective premiums (\$0) and contracts subject to redetermination (\$20,860,866)				15,167,019
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	3,620,163		3,620,163	6,353,657
	16.2 Funds held by or deposited with reinsured companies			0	
	16.3 Other amounts receivable under reinsurance contracts			0	
17.	Amounts receivable relating to uninsured plans	45,550,562		45,550,562	31,338,424
18.1	Current federal and foreign income tax recoverable and interest thereon	150,125		150,125	1,115,071
18.2	Net deferred tax asset			0	61,172
19.	Guaranty funds receivable or on deposit			0	
20.	Electronic data processing equipment and software	5,097,402	5,097,402	0	2,753,040
21.	Furniture and equipment, including health care delivery assets (\$0)				
22.	Net adjustment in assets and liabilities due to foreign exchange rates				
23.	Receivables from parent, subsidiaries and affiliates	12,380,573 .		12,380,573	10,071,473
24.	Health care (\$67,537,409) and other amounts receivable				
25.	Aggregate write-ins for other-than-invested assets	18,353,247	1,143,937	17,209,310	0
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,435,208,108	32,448,914	2,402,759,194	2,154,410,987
	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28.	TOTAL (Lines 26 and 27)		32,448,914	2,402,759,194	2, 154,410,987
1101	DETAILS C	F WRITE-INS		n	
	Summary of remaining write-ins for Line 11 from overflow page				
	Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
	Prepaid expenses				
	Modified reinsurance experience adjustment.				
	Summary of remaining write-ins for Line 25 from overflow page				
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	18,353,247	1,143,937	17,209,310	0

Statement as of December 31, 2018 of the $\,$ Blue Care Network of Michigan $\,$ LIABILITIES, CAPITAL AND SURPLUS Current Period

	LIABILITIES, CAP		Current Period		Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$8,426,684 reinsurance ceded)		10,281,025		326,928,170
2.	Accrued medical incentive pool and bonus amounts				74,465,252
3.	Unpaid claims adjustment expenses				9,930,948
4.	Aggregate health policy reserves, including the liability of \$1,411,531 for	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
	medical loss ratio rebate per the Public Health Service Act	49,376,118		49,376,118	76,021,890
5.	Aggregate life policy reserves			0	
6.	Property/casualty unearned premium reserves			0	
7.	Aggregate health claim reserves			0	
8.	Premiums received in advance	100,776,469		100,776,469	88,833,722
9.	General expenses due or accrued	17,461,498		17,461,498	32,996,403
10.1	Current federal and foreign income tax payable and interest thereon (including \$0 on realized capital gains (losses))	27,581		27,581 .	
10.2	Net deferred tax liability			0	
11.	Ceded reinsurance premiums payable	1,704,313		1,704,313	3,794,606
12.	Amounts withheld or retained for the account of others	759,191		759,191	811,029
13.	Remittances and items not allocated	285,036		285,036	
14.	Borrowed money (including \$0 current) and interest thereon \$36,833 (including \$36,833 current)	50.036.833		50.036.833	50,036,833
15.	Amounts due to parent, subsidiaries and affiliates				36,362,710
16.	Derivatives.				
17.	Payable for securities				14,655,550
18.	Payable for securities lending				14,000,000
	Funds held under reinsurance treaties with (\$0 authorized reinsurers, \$0 unauthorized reinsurers and \$0 certified reinsurers)				
20	Reinsurance in unauthorized and certified (\$0) companies				
20.	Net adjustments in assets and liabilities due to foreign exchange rates				
21.	Liability for amounts held under uninsured plans				38.633.489
22.					, ,
	Aggregate write-ins for other liabilities (including \$0 current) Total liabilities (Lines 1 to 23)				755,462,978
24.					36,829,000
25.	Aggregate write-ins for special surplus funds Common capital stock				
26.	·				10,000
27.	Preferred capital stock				45 700 045
28.	Gross paid in and contributed surplus				15,703,045
29.	Surplus notes				
30.	Aggregate write-ins for other-than-special surplus funds				0
31.	Unassigned funds (surplus)		XXX	1,593,640,930	1,346,405,964
32.	Less treasury stock at cost:				
	32.10.000 shares common (value included in Line 26 \$0)				
	32.20.000 shares preferred (value included in Line 27 \$0)				
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)				1,398,948,009
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	2,402,759,194	2,154,410,987
		S OF WRITE-INS			
	Escheats			, ,	1,992,376
	Summary of remaining write-ins for Line 23 from overflow page				
	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				1 992 376
	Reserve for ACA Fee due in 2018				1,992,376
	Reserve for ACA Fee due in 2018				, ,
	Summary of remaining write-ins for Line 25 from overflow page				0
	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				36,829,000
	Cano Eso anogn Esos pas Esos (Eno Es ason)				
3008	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
5030.					

Statement as of December 31, 2018 of the Blue Care Network of Michigan STATEMENT OF REVENUE AND EXPENSES

		Current Ye	ear 2	Prior Year 3
		Uncovered	Z Total	o Total
1.	Member months	XXX	8,912,663	8,197,092
2.	Net premium income (including \$0 non-health premium income)	XXX	4,214,605,940	3,588,809,215
3.	Change in unearned premium reserves and reserve for rate credits	XXX	24,532,975	(7,904,075)
4.	Fee-for-service (net of \$0 medical expenses)	XXX		
5.	Risk revenue	XXX		
6.	Aggregate write-ins for other health care related revenues	XXX	31,872	49,323
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	4,239,170,787	3,580,954,463
Hosp	ital and Medical:			
9.	Hospital/medical benefits	34,183,555	2,395,365,720	2,049,201,203
10.	Other professional services	1,947,879	146,622,723	128,446,598
11.	Outside referrals	76,922,843	76,922,843	71,951,839
12.	Emergency room and out-of-area	5,137,768	226,098,865	203,569,019
13.	Prescription drugs			432,765,925
14.	Aggregate write-ins for other hospital and medical	0	0	0
15.	Incentive pool, withhold adjustments and bonus amounts		97,039,011	83,856,951
16.	Subtotal (Lines 9 to 15)	118,192,045	3,434,406,772	2,969,791,535
Less	:			
17.	Net reinsurance recoveries		13,439,860	26,438,923
18.	Total hospital and medical (Lines 16 minus 17)	118,192,045	3,420,966,912	2,943,352,612
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$95,386,420 cost containment expenses		172,017,150	133,534,693
21.	General administrative expenses		440,287,248	309,904,275
22.	Increase in reserves for life and accident and health contracts including \$0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)	118,192,045	4,033,271,310	3,386,791,580
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	205,899,477	194,162,883
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		55,103,663	38,099,148
26.	Net realized capital gains or (losses) less capital gains tax of \$0		(10,021,225)	12,039,121
27.	Net investment gains or (losses) (Lines 25 plus 26)	0	45,082,438	50,138,269
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$0) (amount charged off \$0)]			
29.	Aggregate write-ins for other income or expenses	0	0	0
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	250,981,915	244,301,152
31.	Federal and foreign income taxes incurred	XXX	369,745	1,844,100
32.	Net income (loss) (Lines 30 minus 31)	XXX	250,612,170	242,457,052
	DETAILS OF WRITE	E-INS		
	Other Revenue		•	· ·
	Summary of remaining write-ins for Line 6 from overflow page			
	Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)			
	(2.100 cm / (2.100			
	Summary of remaining write-ins for Line 7 from overflow page			
	Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)			
	Summary of remaining write-ins for Line 14 from overflow page		0	0
	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)		0	0
	Settlement of long term liability			
	Final settlement of sale of affiliate			
	Cummary of remaining write ins for Line 20 from guardian page			
	Summary of remaining write-ins for Line 29 from overflow page Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		0	
	- 1 2000 / 2000 E 00 1 11 100 G 1 2000 F 100 2000 / (E1110 20 00010)	································		0

Statement as of December 31, 2018 of the Blue Care Network of Michigan

STATEMENT OF REVENUE AND EXPENSES (Continued)

	CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33.	Capital and surplus prior reporting period		1,129,288,520
34.	Net income or (loss) from Line 32	250,612,170	242,457,052
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains and (losses) less capital gains tax of \$0	(48,434,061)	26,124,907
37.	Change in net unrealized foreign exchange capital gain or (loss)		1,484,164
38.	Change in net deferred income tax	(61,172)	61,172
39.	Change in nonadmitted assets	8,289,029	(467,806)
40.	Change in unauthorized and certified reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital changes:		
	44.1 Paid in		
	44.2 Transferred from surplus (Stock Dividend)		
	44.3 Transferred to surplus		
45.	Surplus adjustments:		
	45.1 Paid in		
	45.2 Transferred to capital (Stock Dividend)		
	45.3 Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	0	0
48.	Net change in capital and surplus (Lines 34 to 47)	210,405,966	269,659,489
49.	Capital and surplus end of reporting period (Line 33 plus 48)	1,609,353,975	1,398,948,009
	DETAILS OF WRITE-INS		
4701.			
4702.			
4703.			
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
<u>4799</u> .	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

Statement as of December 31, 2018 of the Blue Care Network of Michigan CASH FLOW

		1 Current Year	2 Prior Year
	CASH FROM OPERATIONS		
1.	Premiums collected net of reinsurance	4,214,119,025	3,617,197,789
2.	Net investment income	57,504,906	41,120,506
3.	Miscellaneous income	31,872	49,323
4.	Total (Lines 1 through 3)	4,271,655,803	3,658,367,618
5.	Benefit and loss related payments	3,346,568,585	2,955,943,896
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions		
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$0 tax on capital gains (losses)	(622,782)	1,968,597
10.	Total (Lines 5 through 9)	3,990,990,792	3,417,268,172
11.	Net cash from operations (Line 4 minus Line 10)	280,665,011	241,099,446
	CASH FROM INVESTMENTS		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	1,268,042,361	1,008,604,379
	12.2 Stocks	364,376,365	44,868,248
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets	674,862	138,696
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(282,579)	28,155
	12.7 Miscellaneous proceeds		
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,632,811,009	1,068,309,630
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	1,615,052,026	1,189,095,645
	13.2 Stocks	327,936,669	95,273,425
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	71,455,413	5,676,345
	13.6 Miscellaneous applications	15,380,609	
	13.7 Total investments acquired (Lines 13.1 to 13.6)	2,029,824,717	1,290,045,415
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(397,013,708)	(221,735,785
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		(25,000,000
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	(10,581,661)	2,859,983
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(10,581,661)	(22,140,017
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(126,930,358)	(2,776,356
19.	Cash, cash equivalents and short-term investments:		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	19.1 Beginning of year	639,812,555	642,588,911
	19.2 End of year (Line 18 plus Line 19.1)	512 882 197	639 812 555

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

				 			-	•		10
	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
Net premium income	4,214,605,940	3,059,513,906	34,904,017			116,576,981	1,003,611,036			
Change in unearned premium reserves and reserve for rate credit	24,532,975	19,157,812	· · ·			, ,	5,375,320			
3. Fee-for-service (net of \$0 medical expenses)	0	-, - ,-	,				-,,-			XXX
4. Risk revenue.	0									XXX
Aggregate write-ins for other health care related revenues	31,872	31,872	0	0	0	0	0	0		0XXX
Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	4,239,170,787	3,078,703,590	34,903,860	0	0	116,576,981	1,008,986,356	0		.0
8. Hospital/medical benefits	2,395,365,720	1,608,415,663	21,020,743			69,064,447	696,864,867			XXX
Other professional services.	146,622,723	95,404,019	730,179			4,089,923	46,398,602			XXX
10. Outside referrals.	76,922,843	52,948,924	948,616			2.269.894	20,755,409			XXX
11. Emergency room and out-of-area	226,098,865	166,293,103	1,305,259			7.975.500	50,525,003			XXX
12. Prescription drugs	492,357,610	422,347,338	,555,255			18,105,822	51,904,450			XXX
Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0		0XXX
14. Incentive pool, withhold adjustments and bonus amounts	97,039,011	73,468,808				3.149.571	20,420,632			XXX
15. Subtotal (Lines 8 to 14)	3,434,406,772	2,418,877,855	24,004,797	0	0	104,655,157	886.868.963	0		.0XXX
16. Net reinsurance recoveries.	13,439,860	13,439,860								XXX
17. Total hospital and medical (Lines 15 minus 16)	3,420,966,912	2,405,437,995	24,004,797	0	0	104,655,157	886,868,963	0		0XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$95,386,420 cost containment expenses	172,017,150	126,589,466	1,754,526			3,545,948	40,127,210			
20. General administrative expenses	440,287,248	368,957,045	5,407,660			7,877,512	58,045,031			
21. Increase in reserves for accident and health contracts	0					,0,5				XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	4,033,271,310	2,900,984,506		0	0	116,078,617	985,041,204	0		0 0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	205,899,477	177,719,084	3,736,877	0	0	498.364	23.945.152	0		0 0
2 11 10 (a. (a. () a. () () (a. () a. () () () (a. () () () () () () () () () (200,000,		DETAILS OF	WRITE-INS						
0501. Other Revenue.	31,872	31,872		WIGHT E-INO						XXX
0502	0	01,072								XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	Λ	0		.0XXX
0599. Total (Lines 0501 through 0503 plus 0598) (Line 5 above)	31,872	31,872	0	0	0	0	0	0		0 XXX
0601	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 through 0603 plus 0698) (Line 6 above)	n	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	n
1301	0									XXX
1302	n									XXX
1303	n									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	n	Λ	n	n	n	0	0	n		0XXX
1399. Total (Lines 1301 through 1303 plus 1398) (Line 13 above)	n	۰	0			Λ	Λ	0		.0XXX
1999. Total (Elifes 1901 tillough 1909 plus 1990) (Elife 19 above)	U	0	10	JU	U	U	0	10		

PART 1 - PREMIUMS

	TANTISTICENIONIO	1	2	3	4
					Net Premium
		Direct	Reinsurance	Reinsurance	Income
	Line of Business	Business	Assumed	Ceded	(Cols. 1 + 2 - 3)
		0.005.400.447		05.054.544	0.050.540.000
1.	Comprehensive (hospital and medical)	3,085,468,417		25,954,511	3,059,513,906
2.	Medicare supplement	34,904,017			34,904,017
3.	Dental only				0
4.	Vision only				0
5.	Federal employees health benefits plan	116,781,546		204,565	116,576,981
6.	Title XVIII - Medicare	1,006,988,625		3,377,589	1,003,611,036
7.	Title XIX - Medicaid				0
	Other health				0
0.	Other reality				
9.	Health subtotal (Lines 1 through 8)	4,244,142,605	0	29,536,665	4,214,605,940
x 10	Life				0
11	Property/casualty				0
12	Totals (Lines 9 to 11)	4,244,142,605	0	29,536,665	4,214,605,940

PART 2 - CLAIMS INCURRED DURING THE YEAR

PART 2 - CLAIMS INCURRED DURING THE YEAR										
	1	2 Comprehensive (Hospital	3 Medicare	4 Dental	5 Vision	6 Federal Employees Health	7 Title XVIII	8 Title XIX	9 Other	10 Other
	Total	and Medical)	Supplement	Only	Only	Benefits Plan	Medicare	Medicaid	Health	Non-Health
Payments during the year:										
1.1 Direct	3,298,990,054	2,298,184,644	24,457,798			101,287,370	875,060,242			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	19,877,608	13,603,587					6,274,021			
1.4 Net	3,279,112,446	2,284,581,057	24,457,798	0	0	101,287,370	868,786,221		00	0
Paid medical incentive pools and bonuses	67,456,139	52,375,863				2,189,407	12,890,869			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	393,090,466	289,003,741	2,329,036			7,632,988	94,124,701			
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	8,426,684	8,426,684								
3.4 Net	384,663,782	280,577,057	2,329,036	0	0	7,632,988	94,124,701		0	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed.	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	(0	(
Accrued medical incentive pools and bonuses, current year		74,862,912				3,279,642	25,905,570			
Net healthcare receivables (a)		10,777,776					4.875.875			
Amounts recoverable from reinsurers December 31, current year	3,620,163	3,620,163					4,073,073			
Claim liability December 31, prior year from Part 2A:										
8.1 Direct	339,059,108	231,001,562	2,782,037			7,414,772	97,860,737			
8.2 Reinsurance assumed		231,001,302	2,102,031				97,000,737			
		5.050.047					0.074.004			
8.3 Reinsurance ceded	12,130,938	5,856,917					6,274,021			
8.4 Net	326,928,170	225,144,645	2,782,037	0	0	7,414,772	91,586,716	C	00	
Claim reserve December 31, prior year from Part 2D:	_									
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	C	00	C
10. Accrued medical incentive pools and bonuses, prior year	74,465,252	53,769,967				2,319,478	18,375,807			
11. Amounts recoverable from reinsurers December 31, prior year	6,353,657	6,353,657								
12. Incurred benefits:										
12.1 Direct	3,337,367,761	2,345,409,047	24,004,797	0	0	101,505,586	866,448,331	C	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	13,439,860	13,439,860	0	0	0	0	0	0	0	0
12.4 Net	3,323,927,901	2,331,969,187	24,004,797	0	0	101,505,586	866,448,331		0	0
13. Incurred medical incentive pools and bonuses	97,039,011	73.468.808	0	0	0	3,149,571	20,420,632		0	0

⁽a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

			I AIXI ZA - OLAIII	O LIABILIT I LIVE	OI CORREINT IL					
	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
Reported in process of adjustment:										
1.1 Direct	116,273,911	78,661,222	652,957			2,139,947	34,819,785			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	116,273,911	78,661,222	652,957	0	0	2,139,947	34,819,785	0	0	0
Incurred but unreported:										
2.1 Direct	266,085,676	199,611,640	1,676,079			5,493,041	59,304,916			
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	8,426,684	8,426,684								
2.4 Net	257,658,992	191,184,956	1,676,079	0	0	5,493,041	59,304,916	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	10,730,879	10,730,879								
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	10,730,879	10,730,879	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	393,090,466	289,003,741	2,329,036	0	0	7,632,988	94,124,701	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	8,426,684	8,426,684	0	0		0	0	0	0	0
4.4 Net	384,663,782	280,577,057	2,329,036	0	0	7,632,988	94,124,701	0	0	0

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

		Claims During t		Claim Reserve a December 31 o		5	6 Estimated Claim
		1	2	3	4		Reserve and
	Line of Decisions	On Claims Incurred Prior to January 1	On Claims Incurred During	On Claims Unpaid December 31 of	On Claims Incurred During	Claims Incurred in Prior Years	Claim Liability December 31 of
-	Line of Business	of Current Year	the Year	Prior Year	the Year	(Columns 1 + 3)	Prior Year
1.	Comprehensive (hospital and medical)	204,967,476	2,082,347,075	1,188,767	279,388,290	206,156,243	225,144,645
2.	Medicare supplement	2,897,461	21,560,337	4,894	2,324,142	2,902,355	2,782,037
3.	Dental only					0	
4.	Vision only					0	
5.	Federal employees health benefits plan	6,749,719	94,537,651	37,141	7,595,847	6,786,860	7,414,772
6.	Title XVIII - Medicare	84,388,198	784,398,023	29,110	94,095,591	84,417,308	91,586,716
7.	Title XIX - Medicaid.					0	
8.	Other health					0	
9.	Health subtotal (Lines 1 to 8)	299,002,854	2,982,843,086	1,259,912	383,403,870	300,262,766	326,928,170
10.	Healthcare receivables (a)	315,362	67,569,797			315,362	52,231,508
11.	Other non-health					0	
12.	Medical incentive pools and bonus amounts	65,078,071	2,378,068	5,481,394	98,566,730	70,559,465	74,465,252
13.	Totals (Lines 9 - 10 + 11 + 12)	363,765,563	2,917,651,357	6,741,306	481,970,600	370,506,869	349,161,914

⁽a) Excludes \$......0 loans or advances to providers not yet expensed.

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

			Cumulative Net Amounts Paid		
Year in Which Losses	1	2	3	4	5
Were Incurred	2014	2015	2016	2017	2018
1. Prior	287,104	289,969	289,944	289,950	289,961
2. 2014	2,162,239	2,532,541	2,534,340	2,534,685	2,534,702
3. 2015	XXX	2,335,930	2,708,065	2,710,394	2,710,511
4. 2016	XXX	XXX	2,486,430	2,865,412	2,867,194
5. 2017	XXX	XXX	XXX	2,583,742	2,945,897
6. 2018	XXX	XXX	XXX	XXX	2,985,221

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year							
_	Year in Which Losses	1	2	3	4	5			
12	Were Incurred	2014	2015	2016	2017	2018			
<u>ເດ</u>	1. Prior	293,157	290,045	289,945	289,950	289,961			
$\exists \mid _{2}$	2. 2014	2,531,650	2,537,431	2,534,475	2,534,685	2,534,702			
3	3. 2015	XXX	2,748,424	2,714,604	2,710,464	2,710,511			
2	4. 2016	XXX	XXX	2,885,702	2,873,919	2,867,194			
	5. 2017	XXX	XXX	XXX	2,976,557	2,952,636			
6	6. 2018	XXX	XXX	XXX	xxx	3.467.192			

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

	1	2	3	4	5	6	7	8	9	10
					Claim and Claim				Total Claims and	
Years in Which					Adjustment			Unpaid Claim	Claims Adjustment	
Premiums were Earned and	Premiums	Claim	Claim Adjustment	Percent	Expense Payments	Percent	Claims	Adjustment	Expense Incurred	Percent
Claims were Incurred	Earned	Payments	Expense Payments	(Col. 3/2)	(Col. 2 + 3)	(Col. 5/1)	Unpaid	Expense	(Col. 5 + 7 + 8)	(Col. 9/1)
1. 2014	2,971,477	2,534,702	144,927	5.7	2,679,629	90.2			2,679,629	90.2
2. 2015	3,237,285	2,710,511	154,671	5.7	2,865,182	88.5			2,865,182	88.5
3. 2016	3,398,572	2,867,194	147,438	5.1	3,014,632	88.7			3,014,632	88.7
4. 2017	3,580,292	2,945,897	141,155	4.8	3,087,052	86.2	6,741	1,519	3,095,312	86.5
5. 2018	4,239,139	2,985,221	153,517	5.1	3,138,738	74.0	481,971	9,831	3,630,540	85.6

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

	Cumulative Net Amounts Paid					
Year in Which Losses	1	2	3	4	5	
Were Incurred	2014	2015	2016	2017	2018	
1. Prior	218,973	220,944	221,006	221,007	221,019	
2. 2014	1,581,530	1,863,268	1,864,775	1,864,957	1,864,979	
3. 2015	XXX	1,667,914	1,940,448	1,942,583	1,942,724	
4. 2016	XXX	XXX	1,749,208	2,010,827	2,012,314	
5. 2017	XXX	XXX	XXX	1,765,911	2,021,067	
6. 2018	XXX	XXX	XXX	XXX	2,082,873	

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year					
	Year in Which Losses	1	2	3	4	5	
2	Were Incurred	2014	2015	2016	2017	2018	
王	1. Prior	223,843	221,006	221,007	221,007	221,019	
Z	2. 2014	1,862,917	1,866,718	1,864,909	1,864,957	1,864,979	
	3. 2015	XXX	1,975,155	1,945,093	1,942,648	1,942,724	
	4. 2016	XXX	XXX	2,033,752	2,016,961	2,012,314	
	5. 2017	XXX	XXX	XXX	2,038,627	2,023,617	
	6. 2018	XXX	XXX	XXX	XXX	2,435,763	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

	1	2	3	4	5	6	7	8	9	10
					Claim and Claim				Total Claims and	
Years in Which					Adjustment			Unpaid Claim	Claims Adjustment	
Premiums were Earned and	Premiums	Claim	Claim Adjustment	Percent	Expense Payments	Percent	Claims	Adjustment	Expense Incurred	Percent
Claims were Incurred	Earned	Payments	Expense Payments	(Col. 3/2)	(Col. 2 + 3)	(Col. 5/1)	Unpaid	Expenses	(Col. 5 + 7 + 8)	(Col. 9/1)
1. 2014	2,225,700	1,864,979	121,881	6.	51,986,860	89.3			1,986,860	89.3
2. 2015	2,398,223	1,942,724	127,124	6.	52,069,848	86.3			2,069,848	86.3
3. 2016	2,439,748	2,012,314	117,077	5.	32,129,391	87.3			2,129,391	87.3
4. 2017	2,522,839	2,021,067	106,377	5.	32,127,444	84.3	2,550	1,064	2,131,058	84.5
5. 2018	3,078,672	2,082,873	111,595	5	42,194,468	71.3	352,890	6,898	2,554,256	83.0

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

	Cumulative Net Amounts Paid					
Year in Which Losses	1	2	3	4	5	
Were Incurred	2014	2015	2016	2017	2018	
1. Prior	1,785	1,789	1,780	1,780	1,780	
2. 2014	16,156	18,425	18,420	18,421	18,420	
3. 2015	XXX	19,170	21,651	21,654	21,652	
4. 2016	XXX	XXX	20,531	23,217	23,248	
5. 2017	XXX	XXX	XXX	21,416	24,285	
6. 2018	XXX	XXX	XXX	XXX	21,560	

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year						
	Year in Which Losses	1	2	3	4	5		
12	Were Incurred	2014	2015	2016	2017	2018		
Z	1. Prior	1,789	1,791	1,780	1,780	1,780		
S	2. 2014	18,383	18,439	18,420	18,421	18,420		
	3. 2015	XXX	21,844	21,668	21,654	21,652		
	4. 2016	XXX	XXX	23,552	23,233	23,248		
	5. 2017	XXX	XXX	xxx	24,182	24,289		
	6. 2018.	XXX	XXX	xxx	XXX	23.884		

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

	1	2	3	4	5	6	7	8	9	10
					Claim and Claim				Total Claims and	
Years in Which					Adjustment			Unpaid Claim	Claims Adjustment	
Premiums were Earned and	Premiums	Claim	Claim Adjustment	Percent	Expense Payments	Percent	Claims	Adjustment	Expense Incurred	Percent
Claims were Incurred	Earned	Payments	Expense Payments	(Col. 3/2)	(Col. 2 + 3)	(Col. 5/1)	Unpaid	Expenses	(Col. 5 + 7 + 8)	(Col. 9/1)
1. 2014	26,963	18,420	1,199	6.	519,619	72.8			19,619	72.8
2. 2015	31,179	21,652	1,347	6.	222,999	73.8			22,999	73.8
3. 2016	33,764	23,248	1,328	5.`	724,576	72.8			24,576	72.8
4. 2017	34,894	24,285	1.444	5.	925,729	73.7	5	12	25,746	73.8
5. 2018	34,904	21,560	1,542	7.5	223,102		2,324	68	25,494	73.0

Underwriting and Investment Ex.	- Pt. 2C - Development of Paid Health Claims NONE
Underwriting and Investment Ex Pt.	2C - Development of Incurred Health Claims NONE
Underwriting and Investment Ex Pt. 2C	- Development Ratio Incurred Year Health Claims NONE
Underwriting and Investment Ex.	- Pt. 2C - Development of Paid Health Claims NONE
Underwriting and Investment Ex Pt.	2C - Development of Incurred Health Claims NONE
Underwriting and Investment Ex Pt. 2C	- Development Ratio Incurred Year Health Claims NONE

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

	Cumulative Net Amounts Paid					
Year in Which Losses	1	2	3	4	5	
Were Incurred	2014	2015	2016	2017	2018	
1. Prior	7,017	7,668	7,654	7,654	7,654	
2. 2014	65,707	76,141	76,220	76,224	76,224	
3. 2015	XXX	74,276	84,290	84,295	84,293	
4. 2016	XXX	XXX	76,284	88,537	88,685	
5. 2017	XXX	XXX	XXX	90,519	99,236	
6. 2018	XXX	XXX	XXX	XXX	94,615	

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year						
	Year in Which Losses	1	2	3	4	5		
12	Were Incurred	2014	2015	2016	2017	2018		
Ψ	1. Prior	7,187	7,668	7,654	7,654	7,654		
Ш	2. 2014	73,940	76,255	76,220	76,224	76,224		
	3. 2015	XXX	83,563	84,487	84,295	84,293		
	4. 2016	XXX	XXX	84,875	88,782	88,685		
	5. 2017	XXX	XXX	XXX	100,007	99,332		
	6. 2018	XXX	XXX	xxx	XXX	105.431		

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

		1	2	3	4 5		6	7	8	9	10
						Claim and Claim				Total Claims and	
	Years in Which					Adjustment			Unpaid Claim	Claims Adjustment	
	Premiums were Earned and	Premiums	Claim	Claim Adjustment	Percent	Expense Payments	Percent	Claims	Adjustment	Expense Incurred	Percent
	Claims were Incurred	Earned	Payments	Expense Payments	(Col. 3/2)	(Col. 2 + 3)	(Col. 5/1)	Unpaid	Expenses	(Col. 5 + 7 + 8)	(Col. 9/1)
1. 2	2014	84,354	76,224	4,674	6.	180,898	95.9			80,898	95.9
2. 2	2015	95,195	84,293	5,091	6.	389,384	93.9			89,384	93.9
3. 2	2016	95,200	88,685	4,834	5.	593,519	98.2			93,519	98.2
4. 2	2017	110,312	99,236	4.808	4	3104,044	94.3	97	41	104.182	94.4
5. 2	2018	116,577	94,615	4,606	4.	999,221	85.1	10,816	284	110,321	94.6

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

	Cumulative Net Amounts Paid						
Year in Which Losses	1	2	3	4	5		
Were Incurred	2014	2015	2016	2017	2018		
1. Prior	59,329	59,568	59,504	59,509	59,508		
2. 2014	498,846	574,707	574,925	575,083	575,079		
3. 2015	XXX	574,570	661,676	661,862	661,842		
4. 2016	XXX	XXX	640,407	742,831	742,947		
5. 2017	XXX	XXX	XXX	705,896	801,309		
6. 2018	XXX	XXX	XXX	XXX	786,173		

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year									
	Year in Which Losses	1	2	3	4	5			
12	Were Incurred	2014	2015	2016	2017	2018			
×	1. Prior	60,338	59,580	59,504	59,509	59,508			
<	2. 2014	576,410	576,019	574,926	575,083	575,079			
	3. 2015	XXX	667,862	663,356	661,867	661,842			
	4. 2016	XXX	XXX	743,523	744,943	742,947			
	5. 2017	XXX	XXX	xxx	813,741	805,398			
	6. 2018	XXX	XXX	xxx	XXX	902.114			

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

	1	2	3	4	5	6	7	8	9	10
					Claim and Claim				Total Claims and	
Years in Which					Adjustment			Unpaid Claim	Claims Adjustment	
Premiums were Earned and	Premiums	Claim	Claim Adjustment	Percent	Expense Payments	Percent	Claims	Adjustment	Expense Incurred	Percent
Claims were Incurred	Earned	Payments	Expense Payments	(Col. 3/2)	(Col. 2 + 3)	(Col. 5/1)	Unpaid	Expenses	(Col. 5 + 7 + 8)	(Col. 9/1)
1. 2014	634,460	575,079	17,173	3.0	592,252	93.3			592,252	93.3
2. 2015	712,688	661,842	21,109	3.	2682,951	95.8			682,951	95.8
3. 2016	829,860	742,947	24,199	3.3	3767,146	92.4			767,146	92.4
4. 2017	912.247	801,309	28,526	3.0	829,835	91.0	4.089	402	834,326	91.5
5. 2018	1,008,986	786,173	35,774	4.1	821,947	81.5	115,941	2,581	940,469	93.2

Underwriting and Investment Ex.	- Pt. 2C - Development of Paid Health Claims NONE
Underwriting and Investment Ex Pt.	2C - Development of Incurred Health Claims NONE
Underwriting and Investment Ex Pt. 2C	- Development Ratio Incurred Year Health Claims NONE
Underwriting and Investment Ex.	- Pt. 2C - Development of Paid Health Claims NONE
Underwriting and Investment Ex Pt.	2C - Development of Incurred Health Claims NONE
Underwriting and Investment Ex Pt. 2C	- Development Ratio Incurred Year Health Claims NONE

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

		1	2	3	4	5	6	7	8	9
		Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
	1. Unearned premium reserves	1,843,444	1,842,725	489				230		
	2. Additional policy reserves (a)	0								
	3. Reserve for future contingent benefits	0								
,	Reserve for rate credits or experience rating refunds (including \$0 for investment income)	1,411,531	1,411,531							
	5. Aggregate write-ins for other policy reserves	46,121,143	46,121,143	0	0	0	0	0	0	0
	6. Totals (gross)	49,376,118	49,375,399	489	0	0	0	230	0	0
	Totals (net) (Page 3, Line 4) Present value of amounts not yet due on claims	49,376,118	49,375,399	489	0	0	0	230	0	0
1	0. Reserve for future contingent benefits	0								
1	Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
	2. Totals (gross)	0	0	0	0	0	0	0	0	0
ω	3. Reinsurance ceded	0								
1	4. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
_		· · · · · · · · · · · · · · · · · · ·		DETAILS OF	WRITE-INS	· · · · · · · · · · · · · · · · · · ·				1
05	501. ACA Risk Adjustment Liability	46,121,143	46,121,143							
05	502	0								
05	503	0								
05	598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
05	599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	46,121,143	46,121,143	0	0	0	0	0	0	0
11	01	0								
11	102	0								
11	103	0								
11	98. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
11	99. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

⁽a) Includes \$.....0 premium deficiency reserve.

Statement as of December 31, 2018 of the Blue Care Network of Michigan **UNDERWRITING AND INVESTMENT EXHIBIT**

PART 3 - ANALYSIS OF EXPENSES

	PARIO	PART 3 - ANALYSIS OF EXPENSES Claim Adjustment Expenses			4	5
		1 Cost Containment	2 Other Claim Adjustment	3 General Administrative	Investment	
		Expenses	Expenses	Expenses	Expenses	Total
1.	Rent (\$0 for occupancy of own building)			, ,	2,197	, ,
2.	Salaries, wages and other benefits		55,029,957	93,444,771		197,451,144
3.	Commissions (less \$0 ceded plus \$0 assumed)			97,979,247		97,979,247
4.	Legal fees and expenses					
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services		548,863	12,890,903		19,364,655
7.	Traveling expenses	494,366	266,270	2,693,513	2,023	3,456,172
8.	Marketing and advertising	63,622	2,779	5,298,585		5,364,986
9.	Postage, express and telephone	903,331	824,187	4,195,063	235	5,922,816
10.	Printing and office supplies	866,498	61,091	4,927,320	70	5,854,979
11.	Occupancy, depreciation and amortization	285	193	7,128,411		7,128,889
12.	Equipment			262,401		262,401
13.	Cost or depreciation of EDP equipment and software	8,428,073	3,279,647	20,797,391	182,750	32,687,861
14.	Outsourced services including EDP, claims, and other services	34,233,854	22,053,486	30,661,824	22,037	86,971,201
15.	Boards, bureaus and association fees	604,636	13,791	4,595,898		5,214,325
16.	Insurance, except on real estate	443	216	2,027,080		2,027,739
17.	Collection and bank service charges				5,433,889	5,433,889
18.	Group service and administration fees					0
19.	Reimbursements by uninsured plans	(10,980,755)	(11,841,003)	(25,756,665)		(48,578,423)
20.	Reimbursements from fiscal intermediaries					0
21.	Real estate expenses					0
22.	Real estate taxes					0
23.	Taxes, licenses and fees:					
	23.1 State and local insurance taxes			17,679,052		17,679,052
	23.2 State premium taxes					0
	23.3 Regulatory authority licenses and fees			63,475,348		63,475,348
	23.4 Payroll taxes	2,677,053	2,812,452	4,456,378		9,945,883
	23.5 Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses				0	
26.	Total expenses incurred (Lines 1 to 25)				5,877,373	
27.	Less expenses unpaid December 31, current year					
28.	Add expenses unpaid December 31, prior year					
29.	Amounts receivable relating to uninsured plans, prior year		7,638,749	16,615,881		
30.	Amounts receivable relating to uninsured plans, prior year					, ,
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	DETAILS OF WRITE-INS	78,212,589	463,357,541	5,877,373	040,310,307
2501.	Social mission expenses			85,000,000		85,000,000
	Other miscellaneous expenses		944	194,692		221,838
2503.				•		
	Summary of remaining write-ins for Line 25 from overflow page				0	
	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)				0	
۷۵۵۵.	10 17 100 (Ellios 2001 (Illough 2000 plus 2000) (Ellio 20 above)	20,202	344	05, 134,032	U	05,221,030

⁽a) Includes management fees of \$....294,024,684 to affiliates and \$.......0 to non-affiliates.

Statement as of December 31, 2018 of the Blue Care Network of Michigan **EXHIBIT OF NET INVESTMENT INCOME**

		1 Collected	2 Earned
		During Year	During Year
1.	U.S. government bonds	(a)5,664,221	
1.1	Bonds exempt from U.S. tax		
1.2	Other bonds (unaffiliated)		
1.3	Bonds of affiliates	, ,	
2.1	Preferred stocks (unaffiliated)		
2.11		` '	
2.2	Common stocks (unaffiliated)		
2.21			
3.	Mortgage loans		
4.	Real estate	1.7	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	1	1
7.	Derivative instruments	1 2 2	
8.	Other invested assets	90,477	90,477
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	60,930,089	61,771,871
11.	Investment expenses	(g)5,877,373	
12.	Investment taxes, licenses and fees, excluding federal income taxes		
13.	Interest expense		
14.	Depreciation on real estate and other invested assets		(i)C
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		6,668,208
17.	Net investment income (Line 10 minus Line 16)		55,103,663
	DETAILS OF WRITE-INS		
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	C
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		
(a)	Includes \$1,476,488 accrual of discount less \$5,439,058 amortization of premium and less \$8,067,155 paid for		
(b)	Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued dividence	•	
(c)	Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued interest		
(d)	Includes \$0 for company's occupancy of its own buildings; and excludes \$0 interest on encumbrances.	- h	
(e)	Includes \$3.864.341 accrual of discount less \$6.465.465 amortization of premium and less \$4.326.721 paid for	accrued interest on nurchases	

(e) Includes \$.....3,864,341 accrual of discount less \$.....6,465,465 amortization of premium and less \$.....4,326,721 paid for accrued interest on purchases.

Includes \$......0 accrual of discount less \$......0 amortization of premium.

(g) Includes \$....5,877,373 investment expenses and \$......0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes \$.......0 interest on surplus notes and \$.......0 interest on capital notes.

(i) Includes \$........0 depreciation on real estate and \$........0 depreciation on other invested assets.

EVUIDIT OF CADITAL CAINS (LOSSES)

EXHIBI	I OF CAPIL	AL GAINS (L	-088ES)		
	1	2	3	4	5
	Realized				Change in
	Gain (Loss)	Other	Total Realized	Change in	Unrealized
	on Sales	Realized	Capital Gain (Loss)	Unrealized	Foreign Exchange
	or Maturity	Adjustments	(Columns 1 + 2)	Capital Gain (Loss)	Capital Gain (Loss)
1. U.S. government bonds	(8,054,809)		(8,054,809)	133,300	
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	(8,424,388)	(13,492,266)	(21,916,654)		
1.3 Bonds of affiliates			0		
2.1 Preferred stocks (unaffiliated)			0		
2.11 Preferred stocks of affiliates			0		
2.2 Common stocks (unaffiliated)	33,249,296	(13,016,479)	20,232,817	(44,827,020)	
3. Mortgage loans					
4. Real estate			0		
5. Contract loans			0		
6. Cash, cash equivalents and short-term investments	(272,198)	(10,381)	(282,579)		
7. Derivative instruments	· · · · · ·				
8. Other invested assets			0	(3,740,341)	
Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)					
	DETAILS O	F WRITE-INS			
0901			0		
0902			0		
0903			0		
0998. Summary of remaining write-ins for Line 9 from overflow page		0		0	
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)					

Statement as of December 31, 2018 of the Blue Care Network of Michigan **EXHIBIT OF NONADMITTED ASSETS**

		WIII IED ASSET	2	3
		Current Year	Prior Year	Change in Total
		Total	Total	Nonadmitted Assets
		Nonadmitted Assets	Nonadmitted Assets	(Col. 2 - Col. 1)
1.	Bonds (Schedule D)			0
2.	Stocks (Schedule D):			
	2.1 Preferred stocks			0
	2.2 Common stocks			0
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens			0
	3.2 Other than first liens			0
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company			0
	4.2 Properties held for the production of income			0
	4.3 Properties held for sale			0
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6.	Contract loans			0
7.	Derivatives (Schedule DB)			0
8.	Other invested assets (Schedule BA)			0
9.	Receivables for securities			0
10.	Securities lending reinvested collateral assets (Schedule DL)			0
11.	Aggregate write-ins for invested assets	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)			
13.	Title plants (for Title insurers only)			
14.	Investment income due and accrued			
15.	Premiums and considerations:			
13.		486,281	061 470	<i>175</i> 100
	15.1 Uncollected premiums and agents' balances in the course of collection	400,201	901,479	475,190
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
	15.3 Accrued retrospective premiums and contracts subject to redetermination		161,333	161,333
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers			0
	16.2 Funds held by or deposited with reinsured companies			0
	16.3 Other amounts receivable under reinsurance contracts			0
17.	Amounts receivable relating to uninsured plans			0
18.1	Current federal and foreign income tax recoverable and interest thereon			0
18.2	Net deferred tax asset			0
19.	Guaranty funds receivable or on deposit			0
20.	Electronic data processing equipment and software	5,097,402	5,160,424	63,022
21.	Furniture and equipment, including health care delivery assets			3,762,510
22.	Net adjustment in assets and liabilities due to foreign exchange rates			
23.	Receivables from parent, subsidiaries and affiliates			
24.	Health care and other amounts receivable			
25.	Aggregate write-ins for other-than-invested assets		2,928,617	
	Total assets excluding Separate Accounts, Segregated Accounts and Protected	1,140,307		1,704,000
20.	Cell Accounts (Lines 12 through 25)	32,448,914	40 737 943	8 289 029
27	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
	TOTALS (Lines 26 and 27)			
20.		ļ.		
440.	DETAILS OF W			
	. Summary of remaining write-ins for Line 11 from overflow page			
	. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)		0	0
2501	Prepaid expenses	1,143,937	2,928,617	1,784,680
2502				0
2598	. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
	. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		2,928,617	

Statement as of December 31, 2018 of the Blue Care Network of Michigan

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

			Total Members at End of			6
Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
Health maintenance organizations	689,351	751,261	744,525	739,901 .	738,743	8,912,6
Provider service organizations						
Preferred provider organizations						
Point of service						
Indemnity only						
Aggregate write-ins for other lines of business	0	0	0	0	0	
Total	689,351	751,261	744,525	739,901 .	738,743	8,912
	DETAILS O	F WRITE-INS				
1						
2						
)3						
8. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of Blue Care Network of Michigan (BCN) are presented on the basis of accounting practices required by the Michigan Department of Insurance and Financial Services (DIFS).

DIFS has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* and the related *NAIC Annual Statement Instructions* (NAIC SAP) for determining and reporting the financial condition and results of operations of an insurance company. DIFS requires the use of NAIC SAP to the extent that practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or by the DIFS *Forms and Instructions for Required Filings in Michigan* as prescribed or permitted practices.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	SSAP#	F/S Page	F/S Line #	2018	2017
NET INCOME					
(1) Blue Care Network of Michigan state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 250,612,170	\$ 242,457,052
(2) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(3) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$ 250,612,170	\$ 242,457,052
SURPLUS					
(5) Blue Care Network of Michigan state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 1,609,353,975	\$ 1,398,948,009
(6) State Prescribed Practices that are an increase / (decrease) from NAIC SAP:					
None				-	-
(7) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(8) NAIC SAP (5-6-7=8)	XXX	xxx	XXX	\$ 1,609,353,975	\$ 1,398,948,009

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

Revenue from self-funded administrative services only (ASO) primarily consists of administrative fees for services provided, such as management of medical services, claims processing, and access to provider networks. Under ASO arrangements, self-funded groups retain the primary underwriting risk of paying claims; therefore, claims paid by BCN and the corresponding reimbursement of claims, plus administrative fees are netted. For ASO arrangements, amounts due generally only represent administrative fees outstanding. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group's claim experience. Since benefit expenses for ASO arrangements are not the responsibility of BCN, claims paid by BCN and the corresponding reimbursement of claims are not reported in the accompanying Statement of Revenue and Expenses.

Administrative fee revenues related to ASO arrangements are included as a reduction of operating expenses, cost containment expenses, and other claim adjustment expenses. Administrative fee revenues of \$48,578,423 and \$46,435,189 related to ASO arrangements are included as an offset in operating expenses for the years ended December 31, 2018 and 2017, respectively.

BCN follows the accounting policies below:

- (1) Short-term investments stated at amortized cost.
- (2) Bonds not backed by other loans that have a NAIC designation of one or two are stated at amortized cost using the scientific interest method. Bonds with a NAIC designation of three to six are carried at the lower of amortized cost or fair market value.
- (3) Common stocks stated at fair value.
- (4) Preferred stocks NOT APPLICABLE
- (5) Mortgage loans on real estate NOT APPLICABLE
- (6) Loan-backed securities stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
- (7) Investments in subsidiaries, controlled and affiliated entities NOT APPLICABLE
- (8) Investments in joint ventures, partnerships and limited liability companies NOT APPLICABLE
- (9) Derivatives NOT APPLICABLE
- (10) Investment income in premium deficiency calculation NOT APPLICABLE
- (11) Claims unpaid The claims unpaid liability for incurred but unpaid and unreported claims is accrued in the period during which the services are provided and includes actuarial estimates of services performed that have not been reported to BCN by providers. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain components of its claims liabilities. Processing expense related to unpaid claims is accrued based on an estimate of cost to process such claims.
- (12) Fixed asset capitalization BCN had no change it its fixed asset capitalization policy from the prior period.
- (13) Pharmaceutical rebate receivables estimated based on historical rebate experience.
- D. Going Concern

Management has evaluated BCN's ability to continue as a going concern and does not have any substantial doubt about BCN's ability to continue as a going concern.

2. Accounting Changes and Corrections of Errors

As a result of the merger of BCN with Blue Care of Michigan, Inc. (BCMI) effective July 1, 2018, and the merger of BCN with BCN Service Company (BCNSC) effective October 1, 2018, prior period balances for BCN have been restated to include BCMI and BCNSC.

- **Business Combinations and Goodwill**
 - A. Statutory Purchase Method NOT APPLICABLE
 - B. Statutory Merger
 - (1) BCN merged with BCMI on July 1, 2018. BCN and BCMI were both wholly owned subsidiaries of Blue Cross Blue Shield of Michigan Mutual Insurance Company. BCN merged with BCNSC on October 1, 2018. BCNSC was a wholly owned subsidiary of BCN.
 - (2) The mergers of BCMI and BCNSC were accounted for using the statutory merger method defined in SSAP No. 68, Business Combinations and Goodwill.
 - (3) There were no new shares of stock issued in the transactions.
 - (4) Pre-merger separate company revenue, net income and other surplus adjustments that are included in the current combined company for the six months ended 6/30/18 were \$2,078,519,904, \$68,555,440 and \$0 respectively for BCN and \$0, \$14,190 and \$0 respectively for BCMI.

Pre-merger separate company revenue, net income and other surplus adjustments that are included in the current combined company for the nine months ended 9/30/18 were \$3,167,122,158, \$206,653,205 and \$0 respectively for BCN and \$0, \$43,137 and \$0 respectively for BCNSC.

- (5) There have been no adjustments recorded directly to surplus for any entity that did not previously prepare statutory statements.
- C. Assumption Reinsurance NOT APPLICABLE
- D. Impairment Loss NOT APPLICABLE
- Discontinued Operations NOT APPLICABLE
- 5. Investments
 - A. Mortgage Loans, including Mezzanine Real Estate Loans NOT APPLICABLE
 - B. Debt Restructuring NOT APPLICABLE
 - C. Reverse Mortgages NOT APPLICABLE
 - D. Loan-Backed Securities
 - (1) Loan-backed securities designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are reported at amortized cost; securities that are designated medium quality, low quality, lowest quality and in or near default (NAIC designations 3 to 6, respectively) shall be reported at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
 - (2) During 2018, BCN recognized the following other-than-temporary impairment (OTTI) on Loan-Backed and Structured Securities.

	(1) (2) Amortized		(2)		(3)	
OTTI ve e e surize di det Overten	Ве	Cost Basis efore Other- than- Temporary mpairment	Te Im Re	her-than- emporary pairment cognized in Loss		Fair Value 1-2
OTTI recognized 1st Quarter a. Intent to sell	Φ		Φ		Φ	
 b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis 	\$	- -	\$	<u>-</u>	\$	<u>-</u>
c. Total 1st Quarter	\$	-	\$	-	\$	-
OTTI recognized 2nd Quarter						
d. Intent to sell	\$	-	\$	-	\$	-
 e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis 		-		-		-
f. Total 2nd Quarter	\$	-	\$	-	\$	-
OTTI recognized 3rd Quarter						
g. Intent to sell	\$	-	\$	-	\$	-
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis		_		_		_
i. Total 3rd Quarter	\$	_	\$	-	\$	-
OTTI recognized 4th Quarter						
j. Intent to sell	\$	-	\$	-	\$	-
k Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the						
amortized cost basis	_	32,002,322		989,747		31,012,575
I. Total 4th Quarter	\$	32,002,322	\$	989,747	\$	31,012,575
m. Annual Aggregate Total		XXX	\$	989,747		XXX

Statement as of December 31, 2018 of the Blue Care Network of Michigan

NOTES TO FINANCIAL STATEMENTS

(3) The table below reflects the individual securities that comprise the 2018 impairment losses for loan-backed and structured securities. These securities were impaired on the basis that it is probable that the security will be sold before the recovery occurs.

1	2			3	4		5		6	7		
	Book/Adjusted Carrying Value Amortized Cost Before Current		Present Value of Projected Cash Temporary		Amortized Cost After Other-Than		Fair Value at		Date of Financial Statement			
CUSIP		eriod OTTI	FIG	Flows	Temporary Impairment		Temporary Impairment		ne of OTTI	Where Reported		
17326FAD9	\$	3,079,832	\$	2,958,360	\$ 121,472	\$ 2,958,360		\$	2,958,360	12/31/2018		
3128MJ2S8	\$	5,649,683	\$	5,439,003	\$ 210,680	\$	5,439,003	\$	5,439,003	12/31/2018		
3128MJ3D0	\$	2,566,403	\$	2,503,279	\$ 63,124	\$	\$ 2,503,279		2,503,279	12/31/2018		
31418CP99	\$	2,342,974	\$	2,276,936	\$ 66,038	\$	2,276,936	\$	2,276,936	12/31/2018		
31418CR89	\$	5,820,624	\$	5,666,661	\$ 153,963	\$	5,666,661	\$	5,666,661	12/31/2018		
31418CS47	\$	4,627,291	\$	4,494,962	\$ 132,329	\$	4,494,962	\$	4,494,962	12/31/2018		
31418CYN8	\$	2,782,347	\$	2,766,024	\$ 16,323	\$	2,766,024	\$	2,766,024	12/31/2018		
46648KAU0	\$	5,133,168	\$	4,907,350	\$ \$ 225,818		\$ 4,907,350		4,907,350		4,907,350	12/31/2018
Total		XXX		XXX	\$ 989,747		XXX		XXX	XXX		

- (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):
 - a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ (42,994)
2. 12 Months or Longer	\$ (3,144,491)
The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 Months	\$ 9,331,794
2. 12 Months or Longer	\$ 93,748,696

- (5) Because BCN has determined the investments, noted in (4)b above, have not been subject to credit losses and BCN does not have the intent to sell the securities and has the ability to hold such securities, BCN does not consider these investments to be other-than-temporarily impaired.
- E. Dollar Repurchase Agreements and/or Securities Lending Transactions NOT APPLICABLE
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing NOT APPLICABLE
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing NOT APPLICABLE
- H. Repurchase Agreements Transactions Accounted for as a Sale NOT APPLICABLE
- Reverse Repurchase Agreements Transactions Accounted for as a Sale NOT APPLICABLE
- Real Estate NOT APPLICABLE

b.

Low-Income Housing Tax Credits (LIHTC) - NOT APPLICABLE

3

L. Restricted Assets

Restricted Assets (Including Pledged)

1

2

	1	2	3	4	5	6	7
Restricted Asset Category a. Subject to contractual obligation for which liability is not shown b. Collateral held under	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a) 0.000%	Admitted Restricted to Total Admitted Assets (b)
security lending agreements	3						
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements	•						
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock	4,205,500	4,205,500	-		- 4,205,500	0.173%	0.175%
j. On deposit with statesk. On deposit with other regulatory bodies	1,000,000	1,500,000	(500,000)		- 1,000,000	0.041%	0.042%
 Pledged as collateral to FHLB (including assets backing funding agreements) 	54,914,119	58,424,486	(3,510,367)		- 54,914,119	2.255%	2.285%
m. Pledged as collateral not captured in other categories	3						
n. Other restricted assets	200	200			- 200	0.000%	<u>0.000</u> %
o. Total Restricted Assets	\$ 60,119,819	\$ 64,130,186	\$ (4,010,367)	\$	- \$ 60,119,819	<u>2.469</u> %	<u>2.502</u> %

- (a) Column 1 divided by Asset Page, Column 1, Line 28
- (b) Column 5 divided by Asset Page, Column 3, Line 28
 - 2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contacts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) NOT APPLICABLE
 - 3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)

	1	2	3	4	5	6
Description of Assets	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Investment in BCBSM Foundation	\$ 200	\$ 200	<u>\$</u> _	\$ 200	0.000%	0.000%
Total (a)	\$ 200	\$ 200	\$ -	\$ 200	0.000%	0.000%

- (a) Total Line for Columns 1 through 3 should equal 5L(1)n Columns 1 through 3 respectively and Total Line for Column 4 should equal 5L(1)n Column 5
- Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements NOT APPLICABLE
- M. Working Capital Finance Investments NOT APPLICABLE

- N. Offsetting and Netting of Assets and Liabilities NOT APPLICABLE
- O. Structured Notes NOT APPLICABLE
- P. 5GI Securities

	Investment	Number of 50	GI Securities	Aggrega	te BACV	Aggregate Fair Value			
		Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	r	
(1)	Bonds - AC	3	1	\$ 1,744,238	\$ 162,376	\$ 1,744,238	\$ 244,41	10	
(2)	Bonds - FV	-	-	-	-	-		-	
(3)	LB&SS - AC	-	-	-	-	-		-	
(4)	LB&SS - FV	-	-	-	-	-		-	
(5)	Preferred								
	Stock - AC	-	-	-	-	-		-	
(6)	Preferred								
	Stock - FV	-	-	-	-	-		-	
	Total								
(7) (1+2+3+4+5+6)		3	1	\$ 1,744,238	\$ 162,376	\$ 1,744,238	\$ 244,41	10	

AC - Amortized Cost

FV - Fair Value

- Q. Short Sales NOT APPLICABLE
- R. Prepayment Penalty and Acceleration Fees

(1) Number of CUSIPs	35
(2) Aggregate Amount of Investment Income	\$ 518,303

- 6. Joint Ventures, Partnerships and Limited Liability Companies NOT APPLICABLE
- 7. Investment Income
 - A. BCN non-admits investment income due and accrued if the amounts are over 90 days past due.
 - B. BCN admitted all accrued investment income as of December 31, 2018 and 2017.
- 8. Derivative Instruments NOT APPLICABLE
- 9. Income Taxes
 - A. Deferred Tax Assets or Deferred Tax Liabilities

The components of the net deferred tax asset / (liability) at December 31, 2018 and 2017, are as follows:

1			12/31/2018			12/31/2017	·	Change			
		(1)	(2)	(3) (Col 1+2)	(4)	(5)	(6) (Col 4+5)	(7) (Col 1-4)	(8) (Col 2-5)	(9) (Col 7+8)	
		Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total	
a.	Gross deferred tax assets	\$ -	\$ 332,256	\$ 332,256	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ 271,084	\$ 271,084	
b.	Statutory valuation allowance adjustments		332,256	332,256					\$ 332,256	332,256	
C.	Adjusted gross deferred tax assets (1(a) - 1(b))	-	-	-	-	61,172	61,172	-	(61,172)	(61,172)	
d.	Deferred tax assets nonadmitted			<u>-</u>			<u>-</u>			-	
e.	Subtotal net admitted deferred tax asset (1(c) - 1(d))	-	-	-	-	61,172	61,172	-	(61,172)	(61,172)	
f.	Deferred tax liabilities									-	
q.	Net admitted deferred tax asset / (Net deferred tax liability) (1(e) - 1(f))	\$ -	\$ -	\$ -	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ (61,172)	\$ (61,172)	

2			12/31/201	8		12/31/2017			Change	
		(1)	(2)	(3) (Col 1+2)	(4)	(5)	(6) (Col 4+5)	(7) (Col 1-4)	(8) (Col 2-5)	(9) (Col 7+8)
	Imission Calculation omponents SSAP No.	Ordinary	/ Capital	Total	Ordinar	y Capital	Total	Ordinary	Capital	Total
10	Federal income taxes paid in prior years	Ordinary	у Сарітаі	Total	Ordinar	у Саркаі	Total	Ordinary	Сарітаі	iotai
a.	recoverable through loss carry backs	\$	- \$	- \$ -	\$	- \$ 61,172	\$ 61,172	\$ -	\$ (61,172)	\$ (61,172)
b.	Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below)		-				-	-	-	
	Adjusted gross deferred tax assets expected to be realized following the 1 balance sheet date		-			- 61,172	61,172	-	(61,172)	(61,172)
:	Adjusted gross deferred tax assets allowed per 2 limitation threshold	xxx	xxx	-	xxx	xxx	61,172	xxx	xxx	(61,172)
C.	Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities		-				-	-	_	-
d.	Deferred tax assets admitted as the result of application of SSAP No 101. Total (2(a) + 2(b) + 2(c))	\$	- \$	- \$ -	\$	- \$ 61,172	\$ 61,172	\$ -	\$ (61,172)	\$ (61,172)

Under the Federal Internal Revenue Code, ordinary losses can be carried back two years for entities taxed as nonlife insurance companies, while capital losses for entities taxed both as nonlife and life insurance companies can be carried back three years. For losses arising in tax years after 2017, entities taxed as life insurance companies are not permitted to carryback ordinary losses.

3		2018	2017
a.	Ratio percentage used to determine recovery period and threshold limitation amount	-	-
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2		
	above		

4	12/3			12/	31/2	2017	Change				
-	(1)		(2)		(3)		(4)	(5) (Col 1-3)	((6) Col 2-4)	
Impact of tax-planning strategies a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage	Ordinary	ary Capital		Ordinary		,	Capital	Ordinary		Capital	
1. Adjusted gross DTAs amount from note 9A1(c)											
Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	\$ -	\$		-	\$	- ;	\$ 61,172 -	\$ -	\$	(61,172)	
 Net admitted adjusted gross DTAs amount from Note 9A1(e) Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies 	-			-		-	61,172 -	-		(61,172) -	
b. Does BCN's tax planning strategies include the us	se of reinsura	ince?	Yes	N	o_X						

B. Unrecognized Deferred Tax Liabilities – NOT APPLICABLE

C. Components of Income Tax Incurred

BCN has been recognized by the Internal Revenue Service, under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under Section 501(a). BCN incurs unrelated business income that generates federal income taxes. As a nonprofit stock corporation, BCMI has also been recognized by the IRS, under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under Section 501(a). BCNSC has been recognized as a taxable corporation by the IRS. There were no material uncertain tax positions as of December 31, 2018 or 2017.

Federal income tax incurred for the years ended December 31, 2018 and 2017, respectively, is as follows:

		(1)	(2)	(3) (Col 1-2)
		2/31/2018	12/31/2017	Change
1	Current income tax: a. Federal \$	369,745	\$ 1,844,100	\$ (1,474,355)
	b. Foreign	<u> </u>	<u> </u>	
	c. Subtotal	369,745	1,844,100	(1,474,355)
	d. Federal income tax on net capital gains e. Utilization of capital loss carry-forwards	-	-	-
	f. Other	-	-	-
	g. Federal and foreign income taxes incurred \$	369,745	\$ 1,844,100	\$ (1,474,355)
		(1)	(2)	(3)
		12/31/2018	12/31/2017	(Col 1-2)
2	Deferred Tax Assets:	12/31/2010	12/31/2017	Change
	a. Ordinary	Φ.	•	•
	Discounting of unpaid losses Unearned premium reserve	\$ -	- \$ -	\$ - -
	3 Policyholder reserves	-	-	-
	4 Investments 5 Deferred acquisition costs	-	-	-
	6 Policyholder dividends accrual	-	-	-
	7 Fixed assets 8 Compensation and benefits accrual	-	-	-
	9 Pension accrual	-	-	-
	10 Receivables – nonadmitted 11 Net operating loss carry-forward	-	-	-
	12 Tax credit carry-forward	-	-	-
	13 Other (including items <5% of total ordinary tax assets)			
	99 Subtotal b. Statutory valuation allowance adjustment	-	-	-
	c. Nonadmitted			
	d. Admitted ordinary deferred tax assets (2a99 - 2b - 2c) e. Capital:	-	-	-
	1 Investments	-	-	-
	Net capital loss carry-forward Real estate	332,256	61,172	271,084
	4 Other (including items <5% of total capital tax assets)	_	_	_
	99 Subtotal f. Statutory valuation allowance adjustment	332,256 332,256		271,084 332,256
	g. Nonadmitted		<u> </u>	
	h. Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ -	- 	\$ (61,172)
	i. Admitted deferred tax assets (2d + 2h)	\$ -	· \$ 61,172	\$ (61,172)
		(1)	(2)	(3)
		12/31/2018	3 12/31/2017	(Col 1-2) Change
3	Deferred Tax Liabilities:	12/31/2010	12/31/2017	Onlange
	a. Ordinary 1 Investments	\$	- \$	- \$ -
	2 Fixed assets	Ψ	- Ψ	
	Deferred and uncollected premium Policyholder reserves		-	
	5 Other (including items <5% of total ordinary tax liabilities)		<u>-</u>	<u> </u>
	99 Subtotal	·	-	
	b. Capital: 1 Investments		-	
	Real estateOther (including items <5% of total capital tax liabilities)		-	
	99 Subtotal			<u> </u>
	c. Deferred tax liabilities (3a99 + 3b99)			
4	Net deferred tax assets/liabilities (2i – 3c)			2 \$ (61,172)

D. Significant book to tax adjustments – At December 31, 2018, BCN incurred realized net capital losses of \$1,098,442 plus an additional \$291,295 of capital loss carryover from 2017. A valuation allowance has been recorded since it is expected that realized losses will more likely than not continue to be produced in future years.

<u>-</u> \$ 61,172 \$ (61,172)

E. Loss carry forwards, credit carry forwards – At December 31, 2018, BCN had no operating loss or tax credit carry forward.

EE. Other Disclosures

1. On December 22, 2017, H.R. 1, formally known as the Tax Cuts and Jobs Act (the Act), was enacted into law. The Act makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, limitation of net operating loss carryforwards and eliminating the corporate alternative minimum tax (AMT) for tax years beginning after December 31, 2017.

Statutory accounting principles requires tax assets and liabilities to reflect the applicable tax rate in effect when the assets and liabilities are utilized. As such, BCN's deferred tax assets (DTA) have been remeasured to reflect their value at the lower corporate tax rate of 21%. For year ended December 31, 2017, BCN recorded a provisional decrease of \$41,634, with a corresponding net adjustment to deferred income tax expense or statutory surplus as set forth in INT 18-01.

- F. Consolidated tax filing NOT APPLICABLE
- G. Loss contingencies NOT APPLICABLE

BCN believes that any income tax liability for uncertain tax positions will not significantly increase or decrease within the next twelve months.

- 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties
 - On a routine basis, BCN conducts business transactions with its parent, Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBSM), and affiliates: Woodward Straits Insurance Company (WSIC), a subsidiary of BCBSM; Tessellate Holdings, LLC and COBX Co., wholly owned subsidiaries of Emergent Holdings, Inc, a subsidiary of BCBSM; Accident Fund Insurance Company of America (AFICA), a subsidiary of Accident Fund Holdings, Inc. (AFHI), a subsidiary of Emergent Holdings, Inc.; LifeSecure Insurance Company (LifeSecure), a subsidiary of a BCBSM wholly owned affiliate, LifeSecure Holdings Corporation (LSH Corp); BCBSM Foundation, a subsidiary of BCN; Blue Cross Complete of Michigan LLC (BCC LLC), owned by BCBSM through a joint venture; and AmeriHealth Caritas Health Plan (ACHP), owned by BCBSM through a joint venture.
 - B. Transactions with BCBSM include payments for health benefit coverage; processing and payment of certain claims; underpayments and/or overpayments due to and from hospitals; management, administrative and professional services; assigned employee salaries and related benefits; building rent; purchased services including agent fees; and reinsurance. Transactions with affiliates include management, administrative and professional services; workers' compensation coverage; malpractice liability coverage; insolvency coverage; reinsurance coverage and reduced deductibles for property, general liability, automobile, and fidelity insurance coverage.

Administrative support fees incurred from BCBSM were allocated to the statutory administrative expense categories of cost containment, other claims adjustment, general administrative and investment expenses, based on BCBSM's statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on the BCBSM's expense detail.

As referred to in Note 3 Business Combinations and Goodwill, on July 1, 2018, BCMI merged into BCN. As part of the merger, BCBSM transferred BCMI's cost basis of \$50,000 and accumulated earnings of \$6,069,571 to BCN.

C. For the years ended December 31, 2018 and 2017, \$2,381,565,461 and \$2,075,836,806, respectively, were billed from BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

For the years ended December 31, 2018 and 2017, \$54,446,484 and \$90,691,913, respectively, were billed to BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

D. Except for reinsurance ceded and ceded reinsurance premiums payable, all related-party receivable and payable balances are classified as either claims unpaid or amounts due to or receivables from parent, subsidiaries, and

As of December 31, 2018, and 2017, BCN had \$12,396,670 and \$10,072,506, respectively, in related party receivables. The majority of these balances were related to BCBSM.

As of December 31, 2018, and 2017, BCN had \$67,089,412 and \$40,724,214, respectively, in related party payables. The majority of these balances were related to BCBSM.

- E. Affiliate Guarantees NOT APPLICABLE
- F. BCN has agreements with BCBSM and affiliates under which the parties may provide services to or receive services from BCN. The agreements provide for monthly payments.
- G. All outstanding shares of BCN are owned by BCBSM. In addition, BCN; BCBSM; BCC LLC; BCBSM Foundation; WSIC; LSH Corp and its subsidiary; Michigan Medicaid Holdings Company and BH Assets LLC, subsidiaries of BCBSM; AFHI; COBX CO.; and Emergent Holdings, Inc., have some common officers and board members.
- H. Ownership in upstream affiliate or parent NOT APPLICABLE
- Investment in SCA NOT APPLICABLE
- Investment impaired NOT APPLICABLE
- Investment in a foreign insurance subsidiary NOT APPLICABLE

Statement as of December 31, 2018 of the Blue Care Network of Michigan

NOTES TO FINANCIAL STATEMENTS

- L. Investment in downstream noninsurance holding company NOT APPLICABLE
- M. All SCA Investments NOT APPLICABLE
- N. Investment in insurance subsidiary, controlled and affiliated entities NOT APPLICABLE
- O. SCA Loss Tracking NOT APPLICABLE

11. Debt

- A. Debt Including Capital Notes NOT APPLICABLE
- B. FHLB (Federal Home Loan Bank) Agreements
 - (1) BCN became a member of the Federal Home Loan Bank of Indianapolis (FHLBI) on December 1, 2009, in order to obtain short-term, long-term and line-of-credit borrowing privileges. On May 30, 2012, BCN borrowed \$25,000,000 at a rate of 1.10% on the 60 month loan and was paid in full on May 30, 2017. On October 8, 2015, BCN borrowed \$50,000,000 at a rate of 1.56% on a 60 month loan. BCN plans to utilize any funding obtained to cover operational needs or longer-term strategic plans. Borrowings are accounted for consistent with SSAP No. 15, Debt and Holding Company Obligations and SSAP No. 52, Deposit Type Contracts. The loans are collateralized by government securities at 105% of the outstanding loan balance.
 - (2) FHLB Capital Stock
 - a. Aggregate Totals
 - 1. Current Year

		Total
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	4,205,500
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	4,205,500
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556

2. Prior Year-End

		Total
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	4,205,500
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	4,205,500
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556

¹¹B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

¹¹B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

				Eligible for Redemption			
		1	2	3 4 5 6			
	Membership	Current Year Total	Not Eligible for	Less Than 6	6 Months to Less Than 1	1 to Less	3 to 5
	Stock	(2+3+4+5+6)	Redemption	Months	Year	Than 3 Years	Years
1.	Class A						
2.	Class B	4,205,500	4,205,500				

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1) 11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

	1	2	3
			Aggregate Total
	Fair Value	Carrying Value	Borrowing
Current Year Total			
Collateral Pledged	57,426,378	54,914,119	50,000,000
2. Prior Year Total			
Collateral Pledged	60,655,363	58,424,486	50,000,000

¹¹B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3, respectively)

b. Maximum Amount Pledged During Reporting Period

	1	2	3
			Amount
			Borrowed at
			Time of
			Maximum
	Fair Value	Carrying Value	Collateral
Current Year Total Maximum			
Collateral Pledged	60,251,249	58,277,573	50,000,000
2. Prior Year Total Maximum			
Collateral Pledged	84,244,152	81,208,373	75,000,000

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

1. Current Year

		Total	Funding Agreements Reserves Established
(a)	Debt		XXX
(b)	Funding Agreements	50,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	50,000,000	

¹¹B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3, respectively)

2. Prior Year-End

		Total	Funding Agreements Reserves Established
(a)	Debt		XXX
(b)	Funding Agreements	50,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	50,000,000	

b. Maximum Amount During Reporting Period (Current Year)

		Total
1.	Debt	
2.	Funding Agreements	50,000,000
3.	Other	
4.	Aggregate Total (Lines 1+2+3)	50,000,000

11B(4)b4 should be equal to or greater than 11B(4)a1(d)

c. FHLB - Prepayment Obligations

		Does the company have prepayment obligations under the		
		following arrangements (YES/NO)?		
1.	Debt	N/A		
2.	Funding Agreements	NO		
3.	Other	N/A		

- 12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans
 - A. Defined Benefit Plan NOT APPLICABLE
 - B. Plan Asset Investment Policies and Procedures NOT APPLICABLE
 - C. Plan Asset Fair Values NOT APPLICABLE
 - D. Basis of Rate-of-Return-on-Assets Assumption NOT APPLICABLE
 - E. Defined Contribution Plans NOT APPLICABLE
 - F. Multiemployer Plans NOT APPLICABLE
 - G. Consolidated/Holding Company Plans

BCBSM has the responsibility for administering and funding the pension and other postretirement benefits for BCN, including qualified and non-qualified noncontributory defined benefit pension plans, and qualified defined contribution and deferred compensation plans. BCN has no legal obligation for benefits under these plans. BCBSM allocates amounts to BCN based on allocations supporting other employment and overhead costs. BCN's share of net expense for qualified and non-qualified pension plans, other postretirement benefit plans and qualified defined contribution plans was:

	<u>2018</u>	<u>2017</u>
Qualified and non-qualified pension plans	\$ 10,112,091	\$ 11,417,351
Other postretirement benefit plans	2,586,373	(1,282,614)
Qualified defined contribution plan	824,023	1,723,643

The above expenses and amounts due to BCBSM related to the retirement expenses, as of December 31, 2018 and 2017, are disclosed in Note 10.

- H. Post-employment Benefits and Compensated Absences NOT APPLICABLE
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) NOT APPLICABLE
- 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) BCN has 500 shares of common stock authorized; and 100 shares issued and outstanding. All shares are one class and have a par value of \$100 per share.

NOTES TO FINANCIAL STATEMENTS

- (2) Preferred stock NOT APPLICABLE
- (3) Dividend restrictions BCN's Articles of Incorporation prohibit dividends.
- (4) Dividends paid NOT APPLICABLE
- (5) Stockholder's portion of ordinary dividends NOT APPLICABLE
- Restrictions placed on unassigned funds (surplus) NOT APPLICABLE
- The total amount of advances to surplus not repaid NOT APPLICABLE
- The amount of stock held by BCN for special purposes NOT APPLICABLE (8)
- (9) Special surplus fund changes Changes in balances of special surplus funds from the prior year are due to the reserve for the 2017 Affordable Care Act (ACA) Fee payable in 2018. The Continuing Appropriations Act of 2018 has suspended the assessment and collection of the annual fee for Section 9010 of the ACA for the calendar year 2019. Because there will be no fee payable in the 2019 reporting year on premiums written during the data year of 2018, there will be no segregation of special surplus in 2018 for the 2018 data year net written premiums.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses was a net unrealized loss of \$4,573,521 at December 31, 2018.
- (11) Surplus notes NOT APPLICABLE
- (12) Impact of any restatement due to quasi-reorganization NOT APPLICABLE
- (13) Effective date(s) of all quasi-reorganizations in the prior 10 years is/are NOT APPLICABLE
- 14. Liabilities, Contingencies and Assessments
 - A. Contingent Commitments

BCN has outstanding commitments for additional investments to its joint ventures and partnership interests in the amount of \$57,396,850 at December 31, 2018.

B. Assessments

The following items were recognized under SSAP No. 35R, Guaranty Fund and Other Assessments:

Effective January 1, 2012, through September 30, 2018, Michigan's Health Insurance Claims Assessment (HICA) Act imposes an assessment on certain health care claims. BCN bears the inherent credit risk of uncollectability of the tax and therefore records the tax under the gross method, whereby claims taxes collected and paid are recorded as revenue and general administrative expense, respectively. The liability is reflected in general expenses due or accrued as of December 31, 2018 and 2017, in the amount of \$2,625,644 and \$9,068,092, respectively. Effective October 1, 2018, the HICA tax was replaced by the Insurance Provider Assessment. The liability is reflected in general expenses due or accrued as of December 31, 2018 in the amount of \$4,085,670.

Effective October 1, 2012, through September 30, 2019, the Affordable Care Act (ACA) requires a comparative effectiveness assessment to fund health outcome and clinical effectiveness research conducted by the Patient Centered Outcomes Research Institute, a non-profit organization created by the ACA. The liability is reflected in general expenses due or accrued as of December 31, 2018 and 2017, in the amount of \$1,560,765 and \$1,389,910, respectively.

- C. Gain Contingencies NOT APPLICABLE
- Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits NOT APPLICABLE
- E. Joint and Several Liabilities NOT APPLICABLE
- F. All Other Contingencies

Reimbursement Dispute - BCN is currently involved in a dispute regarding reimbursement for certain Medicare Advantage products. The lawsuit alleges BCN breached the applicable contract. The case is in the early stage of development. It is not yet possible to make an assessment regarding probability of an adverse outcome, nor estimate a range of potential loss.

Other - BCN is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the annual statement.

Asset Impairment – In accordance with BCN's impairment policy, OTTI is presumed to exist when the market value is below cost for investments managed by outside investment managers, because BCN has delegated the decision to hold the security until recovery and cannot assert the "intent and ability to hold to recovery."

The OTTI fair-value write-down for securities was \$13,502,647 and \$3,075,068 for debt securities and \$13,016,479 and \$22,644 for equity securities in 2018 and 2017, respectively.

Except for the recorded impairment mentioned above, all other investment securities that temporarily have a fair market value that is below amortized cost, are not considered to be impaired.

15. Leases

- A. Lessee Operating Lease
 - (1) Leasing arrangements
 - (a) Rental Expense

BCN entered into certain cancelable building leases with BCBSM. Rent expense under BCBSM leases in 2018 and 2017 was \$8,983,016 and \$2,158,233, respectively.

BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was \$5,275,573 and \$5,819,799, in 2018 and 2017, respectively.

- (b) Contingent Rental Payment Basis NOT APPLICABLE
- (c) BCN's corporate office is leased through June 30, 2025. At the expiration of the lease, BCN has the option to extend the lease for three terms of five years.
- (d) Lease Restrictions NOT APPLICABLE
- (e) Early Terminations NOT APPLICABLE
- (2) Non-cancelable leases
 - (a) At December 31, 2018, the minimum aggregate rental commitments are as follows:

Year Ending December 31	Оре	rating Leases
2019	\$	3,335,384
2020		3,335,384
2021		3,335,384
2022		3,470,602
2023		3,605,820
Thereafter		5,408,730
Total	\$	22,491,304

- (b) Non-cancelable subleases NOT APPLICABLE
- (3) Sale-leaseback transactions NOT APPLICABLE
- B. Lessor Leases NOT APPLICABLE
- 16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk - NOT APPLICABLE
- 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
 - A. Transfers of Receivables Reported as Sales NOT APPLICABLE
 - B. Transfer and Servicing of Financial Assets NOT APPLICABLE
 - C. Wash Sales NOT APPLICABLE

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

As a result of a recent change in the Michigan Insurance Code, Health Maintenance Organizations are permitted to directly contract with groups to administer self-funded group health plans. BCN as the sole shareholder of BCN Service Company received non-disapproval on November 2, 2017 from DIFS to receive all ASO contracts and all other asset and liabilities related to such ASOs from BCN Service Company. This transition was effective on January 1, 2018.

The gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during 2018:

				Uninsured Portio	n	
			ASO	of Partially		Total
		Un	insured Plans	Insured Plans		ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$	(8,387,230)	\$		\$ (8,387,230)
b.	Total net other income or expenses (including interest paid to or received from plans)	T	-	<u> </u>		 -
C.	Net gain or (loss) from operations		(8,387,230)		-	(8,387,230)
d.	Total claim payment volume	\$	760,026,775	\$	-	\$ 760,026,775

B. ASC Plans - NOT APPLICABLE

- C. Medicare or Similarly Structured Cost Based Reimbursement Contract
 - (1) Medicare Part D cost-based reimbursements for the years 2018 and 2017 consisted of \$4,430,508 and \$3,995,955, respectively, for coverage gap discount; \$14,307,154 and \$14,311,435, respectively, for low-income subsidy (cost sharing portion); and \$37,746,348 and \$46,810,451, respectively, for reinsurance payments.
 - (2) As of December 31, 2018 and 2017, respectively, BCN had recorded receivables from the following payors whose account balances were greater than 10% of BCN's amounts receivable from uninsured accident and health plans or \$10,000:

2018 2017

Centers for Medicare & Medicaid Services (CMS) \$6,319,510 \$4,397,409

- (3) In connection with the Medicare Part D cost-based reimbursement portion of the contract, BCN has recorded allowances and reserves for adjustment of recorded reimbursement advances in the amount of \$2,978,924 and \$3,257,789, as of December 31, 2018 and 2017, respectively.
- (4) Adjustments to revenue resulting from an audit of receivables related to revenues recorded in the prior period NOT APPLICABLE
- 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators NOT APPLICABLE
- 20. Fair Value Measurements
 - A. Fair Value Disclosures
 - (1) Fair Value Measurements at Reporting Date

Description for each class of asset	Level 1	Level 2		Level 3		Value (NAV)	t	Total
Common Stocks:								
Industrial and miscellaneous	\$ 189,527,813	\$	-	\$	-	\$	-	\$ 189,527,813
Mutual funds	747,366				_			747,366
Total Common Stocks	\$ 190,275,179	\$		\$	<u>-</u>	\$	_	\$ 190,275,179
Cash Equivalents:								
Exempt money market mutual funds	\$ 112,234,820	\$	<u>-</u>	\$	<u>-</u>	\$	_	\$ 112,234,820
Total Assets at Fair Value/NAV	\$ 302,509,999	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$ 302,509,999

- (2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy NOT APPLICABLE
- (3) Transfers between levels NOT APPLICABLE
- (4) Certain assets and liabilities of BCN are measured and reported: (a) at amortized cost, (b) at values using the adjusted audited GAAP equity method, or (c) at values that approximate fair value due to their liquid or short-term nature.
- (5) Derivative assets and liabilities NOT APPLICABLE
- B. Other Fair Value Information NOT APPLICABLE
- C. Fair Value of Financial Instruments

Type of Financial Instrument	Ag	gregate Fair Value	,	Admitted Assets		Level 1	Level 2	Level 3		Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds: Special revenue and special assessment obligations Industrial and miscellaneous U.S. government Hybrid securities All other governments	\$	297,646,158 764,817,577 365,461,653 773,242 1,921,895	\$	297,855,850 770,839,337 360,388,858 773,242 2,026,788	\$; - - - -	\$ 297,646,158 764,817,577 365,461,653 773,242 1,921,895	\$	- - -	\$ - - -	\$ - - - -
Total Bonds	\$	1,430,620,525	\$	<u>1,431,884,075</u>	\$	<u>-</u>	\$ 1,430,620,525	\$	<u>-</u>	\$ -	\$ -
Common Stocks: Industrial and miscellaneous Mutual funds	\$	189,527,813 747,366	\$	189,527,813 747,366	\$	189,527,813 747,366	\$	\$	- <u>-</u> .	\$ -	\$ - -
Total Common Stocks	\$	190,275,179	\$	190,275,179	\$	190,275,179	\$ <u> </u>	\$	<u>-</u>	\$ -	<u>\$</u> -
Cash Equivalents & Short-Term Investments: Industrial and miscellaneous	\$	434,220,605	\$	434,305,027	\$		\$ 434,220,605	\$	-	\$ -	\$ -
Exempt money market mutual funds	_	112,234,820	_	112,234,820	_	112,234,820	 <u>-</u>		_		<u>-</u>
Total Cash Equivalents & Short-Term Investments	\$	546,455,425	\$	546,539,847	\$	112,234,820	\$ 434,220,605	\$	<u>-</u>	<u>\$</u> -	<u>\$</u>

- D. Not Practicable to Estimate Fair Value NOT APPLICABLE
- E. Investments Using the NAV Practical Expedient NOT APPLICABLE
- 21. Other Items
 - A. Unusual or Infrequent Items NOT APPLICABLE
 - B. Troubled Debt Restructuring: Debtors NOT APPLICABLE
 - C. Other Disclosures

Statutory Deposit – As a condition of maintaining BCN's and BCMI's certificate of authority with the State of Michigan, BCN and BCMI were required to maintain a deposit in a segregated account. BCN maintained the maximum amount of \$1,000,000 that is required for an HMO. BCMI maintained the maximum amount of \$500,000 that is required for an Alternative Financing and Delivery System. After the merger, the BCMI deposit account was closed. These funds are intended to be used for the sole benefit of all BCN members, and only at the direction of the Director of DIFS. The funds are invested in exempt money market mutual funds and reported in cash equivalents, in accordance with SSAP No. 2R. Interest on these funds accrues to BCN.

Industry Concentration – BCN conducts business primarily within the state of Michigan. A significant portion of BCN's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from those customers were \$5,177,611 and \$1,644,400 as of December 31, 2018 and 2017, respectively. In addition, BCN held investments in these customers with a total value of \$23,080,941 and \$23,209,704 as of December 31, 2018 and 2017, respectively.

Other Items – On March 29, 2018, BCN made a contribution of \$85,000,000 to the Michigan Health Endowment Fund (MHEF) to fulfill BCN's mission to promote the health and financial peace of mind for its members

concerning quality affordable health care and service; and to support programs that back health and welfare activities in Michigan communities which includes benefitting the health and wellness of Michigan's children and seniors. This contribution is reflected in the Statement of Revenue and Expenses as a part of general administrative expenses.

- D. Business Interruption Insurance Recoveries NOT APPLICABLE
- E. State Transferable and Non-transferable Tax Credits NOT APPLICABLE
- F. Subprime-Mortgage-Related Risk Exposure NOT APPLICABLE
- G. Retained Assets NOT APPLICABLE
- H. Insurance-Linked Securities (ILS) Contracts NOT APPLICABLE

22. Events Subsequent

Management has evaluated all events subsequent to the annual statement date of December 31, 2018, through February 28, 2019, for the annual statement submitted on February 28, 2019.

Type I – Recognized Subsequent Events:

Management has determined that there are no Type I subsequent events that require disclosure under SSAP No. 9, Subsequent Events.

Type II – Nonrecognized Subsequent Events:

Consistent with its social mission to improve the access and quality of health care for the residents of the State of Michigan, on February 13, 2019, the BCN Board of Directors authorized the payment of \$85,000,000 to the MHEF on or before April 1, 2019.

The MHEF was created under Michigan Public Act 4 of 2013, and is a qualified tax-exempt organization under the provisions of the Internal Revenue Code. The mission of the MHEF is to improve the health of Michigan residents, with special emphasis on the health and wellness of children and seniors, while reducing the cost of health care.

Annual Fee Imposed on Health Insurance Providers – To cover the cost of expanded coverage and benefit provisions, Section 9010 of the ACA, imposes an industry wide annual fee on health insurance carriers that provide underwritten coverage to U.S. health risks. The national amount of the fee was \$14.3 billion in 2018. For 2019 and beyond, the amount will be equal to the annual fee for the preceding year increased by the rate of premium growth for the preceding year. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the total amount of health insurance for all U.S. health risk that is written during the preceding calendar year.

The Continuing Appropriations Act of 2018 suspends the assessment and collection of the health insurance fee for the 2019 calendar year. Thus, health insurance issuers are not required to pay these fees for 2019. This moratorium does not affect the filing requirement and payment of these fees for any year other than 2019 and is reinstated in 2020.

As of December 31, 2018, BCN has written health insurance subject to the ACA assessment and expects to conduct health insurance business in 2019. Due to the moratorium, no fee will be payable in 2019 on premiums written during the data year of 2018, and no amount is reflected in special surplus in 2018.

		Current Year	Prior Year
A.	Did the reporting entity write accident and health insurance premium that is	VEC	
	subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	YES	
В.	ACA fee assessment payable for the upcoming year	\$ -	\$ 36,829,000
C.	ACA fee assessment paid	\$ 35,782,020	\$ -
D.	Premium written subject to ACA 9010 assessment	\$ 4,209,238,588	\$ 3,587,812,804
E.	Total Adjusted Capital before surplus adjustment		
	(Five-Year Historical Line 14)	\$ 1,609,353,975	
F.	Total Adjusted Capital after surplus adjustment		
	(Five-Year Historical Line 14 minus 22B above)	\$ 1,609,353,975	
G.	Authorized Control Level after surplus adjustment		
	(Five-Year Historical Line 15)	\$ 133,863,196	
H.	Would reporting the ACA assessment as of Dec. 31, 2018 have triggered an		
	RBC action level (YES/NO)?	NO	
	• •		

23. Reinsurance

A. Ceded Reinsurance Report

In compliance with the NAIC annual statement instructions and SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, BCN accounts for its transactions with WSIC and BCBSM as ceded reinsurance. WSIC covers claims for individual inpatient facility services that exceed the \$150,000 attachment point per member. BCBSM covers inpatient and outpatient facility claims in excess of \$200,000 per member basis for all lines of business excluding commercial individual, up to a defined accumulated attachment point of \$8.45 per member per month for Medicare Advantage and \$13.10 per member per month for remaining policies. In addition, WSIC provides insolvency coverage subject to a separate aggregate limit in the amount of \$5,000,000 for all policies combined.

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes() No (X)

If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes() No (X)

If yes, give full details.

Section 2 - Ceded Reinsurance Report - Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

- B. Uncollectible Reinsurance NOT APPLICABLE
- C. Commutation of Ceded Reinsurance NOT APPLICABLE
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation NOT APPLICABLE
- 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination
 - BCN estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to redetermination based on an examination of contract requirements in relation to the rates charged for similarly sized subscriber groups, and the status of past applicable audits.

BCN estimates accrued retrospective premium adjustments for its Medicare Advantage health insurance contracts based on an analysis of Part C member health risk score adjustments submitted to CMS and the Part D risk corridor reconciliation related to the funds received from CMS or the beneficiary.

To the extent that BCN is subject to potential medical loss ratio (MLR) rebates, any return premium adjustment would be based on the formulas required by law.

- B. Accrued redetermination premium adjustments and return premium adjustments, as well as retrospective premiums, are recorded as adjustments to earned premium revenue.
- C. The amount of net premiums, written by BCN, that were subject to redetermination or retrospective provisions (including premiums subject to MLR rebates) was \$4,179,701,924 and \$3,553,976,314 for 2018 and 2017, respectively; representing approximately 99.2% and 99.0% of the total net health premiums written for 2018 and 2017, respectively. No other premiums written by BCN were subject to redetermination or retrospective provisions.
- D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act

		Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior	Reporting Year	marviada	Linployer	Linployer	With Reputes	Total
	- J					
(1)	Medical loss ratio rebates incurred	\$ -	\$ 11,758,253	\$ -	\$ 3,040,646	\$ 14,798,899
(2)	Medical loss ratio rebates paid	-	11,376,518	-	66,530	11,443,048
(3)	Medical loss ratio rebates unpaid	1	18,232,754	-	3,289,970	21,522,724
(4)	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(5)	Less reinsurance ceded amounts	XXX	XXX	xxx	xxx	-
(6)	Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	21,522,724
Curre	ent Reporting Year-to-Date					
(7)	Medical loss ratio rebates incurred	\$ -	\$ (4,451,144)	\$ -	\$ 1,355,524	\$ (3,095,620)
(8)	Medical loss ratio rebates paid	-	13,781,610	-	3,233,963	17,015,573
(9)	Medical loss ratio rebates unpaid	-	-	-	1,411,531	1,411,531
(10)	Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11)	Less reinsurance ceded amounts	XXX	XXX	xxx	xxx	-
(12)	Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	1,411,531

NOTES TO FINANCIAL STATEMENTS

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? YES
- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

AMOUNT

				AWOUNT
a.	Permane	ent ACA Risk Adjustment Program		
Assets				
	1.	Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)	\$	-
Liabilities				
	2.	Risk adjustment user fees payable for ACA Risk Adjustment	\$	417,976
	3.	Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)	\$	46,121,143
Operation	s (Revenue	& Expense)		
	4.	Reported as revenue in premium for accident and health contracts		
		(written/collected) due to ACA Risk Adjustment	\$	(26,385,669)
	5.	Reported in expenses as ACA risk adjustment user fees		
		(incurred/paid)	\$	419,099
b.	Transitio	nal ACA Reinsurance Program		
Assets				
	1.	Amounts recoverable for claims paid due to ACA Reinsurance	\$	-
	2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$	-
	3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$	-
Liabilities				
	4.	Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$	-
	5.	Ceded reinsurance premiums payable due to ACA Reinsurance	\$	-
	6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$	-
Operation	s (Revenue	& Expense)		
	7.	Ceded reinsurance premiums due to ACA Reinsurance	\$	-
	8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments		
		or expected payments	\$	(94,211)
	9.	ACA Reinsurance contributions - not reported as ceded premium	\$	-
C.	Tempora	ary ACA Risk Corridors Program		
Assets		A	•	
1 1 1 114	1.	Accrued retrospective premium due to ACA Risk Corridors	\$	-
Liabilities	•	B	•	
0	2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$	-
Operation		& Expense) Effect of ACA Biola Costidore on not promium income (poid/specified)	•	(44.005)
	3.	Effect of ACA Risk Corridors on net premium income (paid/received)	\$	(11,025)
	4.	Effect of ACA Risk Corridors on change in reserves for rate credits	\$	-

NOTES TO FINANCIAL STATEMENTS

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any non-admission) and liability balances, along with the reasons for adjustments to prior year balance.

					Differ	ences		Adjustments		Unsettled Balar Reportir	
		the Prior Year on Before December Prior Year	Year on Busines	d as of the Current ss Written Before of the Prior Year	Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
	A Risk Adjustment	Program									
Premium adjustments receivable (including high-											
risk pool 1 payments)	\$ -	\$ -	\$ -	\$ -	\$ -	s -	\$ -	\$ -	Α	\$ -	\$ -
Premium adjustments (payable) (including high- risk pool											
2 premium)	-	48,233,940	-	28,498,466	-	19,735,474	-	(19,735,474)	В	-	-
Subtotal ACA Permanent Risk Adjustment											
3 Program	\$ -	\$ 48,233,940	\$ -	\$ 28,498,466	\$ -	\$ 19,735,474	\$ -	\$ (19,735,474)		\$ -	\$ -
b. Transitional AC Amounts recoverable for claims	A Reinsurance Pro	ogram									
1 paid	\$ 3,279,676	\$ -	\$ 3,185,465	\$ -	\$ 94,211	\$ -	\$ (94,211)	\$ -	С	\$ -	\$ -
Amounts recoverable for claims unpaid (contra											
2 liability) Amounts	-	-	-	-	-	-	-	-	D	-	-
receivable relating to uninsured											
3 plans Liabilities for	-	-	-	-	-	-	-	-	Е	-	-
contributions payable due to ACA Reinsurance - not reported as ceded											
4 premium	-	-	-	-	-	-	-	-	F	-	-
Ceded reinsurance premiums 5 payable									G		
Liability for amounts held under	-	-	-	-	-		-	-	_ 6	-	-
uninsured 6 plans Subtotal ACA	-	_	_	_	-	-	-	-	Н	_	-
Transitional Reinsurance 7 Program	\$ 3,279,676	\$ -	\$ 3,185,465	\$ -	\$ 94,211	\$ -	\$ (94,211)	\$ -		\$ -	\$ -
c. Temporary AC	A Risk Corridors P	•	,				· · · · · ·				
Accrued retrospective											
1 premium	\$ 161,333	\$ -	\$ 150,308	\$ -	\$ 11,025	\$ -	\$ (11,025)	\$ -	- 1	\$ -	\$ -
Reserve for rate credits or policy experience 2 rating refunds							,				
Subtotal ACA Risk Corridors	-	-	-	-	-	-	-	-	J	-	-
3 Program Total for ACA Risk Sharing	161,333	-	150,308	-	11,025	-	(11,025)	-		-	-
d. Provisions	\$ 3,441,009	\$ 48,233,940	\$ 3,335,773	\$ 28,498,466	\$ 105,236	\$ 19,735,474	\$ (105,236)	\$ (19,735,474)		\$ -	\$ -

Explanation of Adjustments

B Adjustment supplied by CMS.

C Remaining balance was written off in 2018.

I Remaining balance was written off in 2018.

NOTES TO FINANCIAL STATEMENTS

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

											Unsettled Bala	ances as of the
						Differ	ences	Ac	djustments			ng Date
				Received or	Paid as of the	Prior Year	Prior Year				Cumulative	Cumulative
		Accrued During	the Prior Year on	Current Year on	Business Written	Accrued Less	Accrued Less				Balance from	Balance from
		Business W	ritten Before	Before Decemb	er 31 of the Prior	Payments (Col	Payments (Col	To Prior Year	To Prior Year		Prior Years (Col	Prior Years (Col
		December 31 of	of the Prior Year		ear	1 - 3)	2 - 4)	Balances	Balances		1 - 3 + 7	2 - 4 + 8)
Ri	sk Corridors	1	2	3	4	5	6	7	8		9	10
Pi	ogram Year	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a.	2014											
1	Accrued											
	retrospective											
	premium	\$ 161,333	\$ -	\$ 150,308	\$ -	\$ 11,025	\$ -	\$ (11,025)	\$ -	Α	\$ -	\$ -
2	Reserve for											
	rate credits or											
	policy											
	experience											
	rating refunds	-	-	-	-	-	-	-	-	В	-	-
b.	2015	•		•		•		•	•			•
1	Accrued											
	retrospective											
	premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	С	\$ -	\$ -
2	Reserve for											
	rate credits or											
	policy											
	experience											
		-	_	-	-	-	_	-	-	D	-	-
C.	2016											
1	Accrued											
	retrospective					ĺ						
	premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Е	\$ -	\$ -
2	Reserve for											
1	rate credits or					ĺ						
	policy					ĺ						
1	experience					1						
		-	-	-	-	-	-	-	-	F	-	-
	Total for Risk											
d.	Corridors	\$ 161.333	\$ -	\$ 150.308	\$ -	\$ 11.025	\$ -	\$ (11.025)	\$ -		\$ -	\$ -
_	rating refunds 2016 Accrued retrospective premium Reserve for rate credits or policy experience rating refunds Total for Risk	-	-	\$ -	\$ - \$	-	-	\$ -	-	E	-	\$

A Remaining balance was written off in 2018

24E(4)d (Columns 1 through 10) should equal 24E(3)c3 (Column 1 through 10 respectively)

(5) ACA Risk Corridors Receivable as of Reporting Date

	1	2	3	4	5	6
	Estimated					
	Amount to be	Non-Accrued		Asset Balance		
	Filed or Final	Amounts for	Amounts	(Gross of Non-		Net Admitted
Risk Corridors	Amount Filed	Impairment or	received from	admissions)	Non-admitted	Asset
Program Year	with CMS	Other Reasons	CMS	(1-2-3)	Amount	(4-5)
a. 2014	\$ 17,193,569	\$ 14,314,428	\$ 2,879,141	\$ -	\$ -	\$ -
b. 2015	4,154,148	4,154,148	-	-	-	-
c. 2016	20,617,732	20,617,732	-	-	-	-
Total						
d. (a+b+c)	\$ 41,965,449	\$ 39,086,308	\$ 2,879,141	\$ -	\$ -	\$ -

24E(5)d (Column 4) should equal 24E(3)c1 (Column 9)

24E(5)d (Column 6) should equal 24E(2)c1

- 25. Change in Incurred Claims and Claim Adjustment Expenses
 - A. Liabilities for unpaid claims and claims adjustment expenses as of December 31, 2017, were \$336,859,118. As of December 31, 2018, \$308,933,802 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Liabilities for unpaid claims and claims adjustment expenses remaining for prior years are now estimated to be \$1,259,912 as a result of a re-estimation of unpaid claims on comprehensive and Medicare lines of business. Therefore, there has been a \$26,665,404 favorable prior year development based on the analysis of recent loss development trends from December 31, 2017 to December 31, 2018.
 - B. Significant Changes in Methodologies and Assumptions NOT APPLICABLE
- 26. Intercompany Pooling Arrangements NOT APPLICABLE
- 27. Structured Settlements NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Health care receivables include pharmacy rebates BCN receives from a third-party vendor. BCN estimates pharmacy rebate receivables based on historical rebate experience and membership. Activity for the most recent three years is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements		Pharmacy Rebates as Reported on Financial			Pharmacy Rebates as Billed or Otherwise Confirmed	А	ctual Rebates Received Within 90 Days of Billing	ctual Rebates Received Within I to 180 Days of Billing	Th	ctual Rebates Received More nan 180 Days After Billing
12/31/2018	\$	52,719,678	\$	45,165,391	\$	_	\$ _	\$	_		
9/30/2018		54,822,604	•	44,330,240		27,499,739	-		-		
6/30/2018		40,265,146		43,930,724		42,085,668	911,689		-		
3/31/2018		45,021,032		41,347,907		38,709,410	1,706,277		113,480		
12/31/2017	\$	30,212,229	\$	33,723,594	\$	30,880,356	\$ 3,741,064	\$	30,508		
9/30/2017		30,157,558		32,598,874		29,965,315	1,653,279		1,859,642		
6/30/2017		29,769,365		31,254,590		28,757,700	1,634,407		3,117,525		
3/31/2017		21,223,034		23,680,157		20,170,925	1,839,073		800,575		
12/31/2016	\$	14,274,805	\$	16,696,503	\$	9,104,011	\$ 6,894,239	\$	112,738		
9/30/2016		14,381,098		15,974,407		11,182,415	3,803,796		831,452		
6/30/2016		14,539,601		15,490,875		11,739,374	3,596,299		33,722		
3/31/2016		14,457,338		16,069,450		9,995,683	5,570,059		225,507		

Risk Sharing Receivables

BCN estimates risk sharing receivables based on historical claims experience modified for current trends and benefits as provided for in the risk sharing agreement. As of December 31, 2018, 2017, and 2016, BCN had risk sharing receivables of \$0, \$4,866,470, and \$5,016,980, respectively. Risk sharing receivables for the years ended December 31, 2018, 2017, and 2016 were not offset by any risk sharing payables and are recorded in healthcare and other amounts receivable. Details of the balances for the most recent three years are summarized as follows:

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received - All Other
2018	2018	\$4,866,470	\$0	\$4,866,470	\$ -	\$4,866,470	\$ -	\$ -	\$ -
	2019	XXX	\$0	XXX	\$ -	XXX	XXX	XXX	XXX
2017	2017	\$5,016,980	\$4,750,000	\$9,766,980	\$ -	\$9,766,980	\$ -	\$ -	\$ -
	2018	XXX	\$4,866,470	XXX	\$4,866,470	XXX	XXX	XXX	XXX
2016	2016	\$5,769,008	\$4,750,000	\$10,519,008	\$ -	\$ 10,519,008	\$ -	\$ -	\$ -
	2017	XXX	\$5,016,980	XXX	\$5,016,980	XXX	XXX	XXX	XXX

- 29. Participating Policies NOT APPLICABLE
- 30. Premium Deficiency Reserves NOT APPLICABLE
- 31. Anticipated Salvage and Subrogation NOT APPLICABLE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

10.4		of the Model Regulation, or substantially similar state law or regulation? 10.3 is yes, provide information related to this exemption:			Yes	[]	No [X]
10.2	Has the insurer be	10.1 is yes, provide information related to this exemption: en granted any exemptions related to other requirements of the Annual Fi	nancial Reporting Model Regulation as allowed				
10.1	as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?						No [X]
9.	Deloitte & Touche	and address of the independent certified public accountant or accounting LLP 200 Renaissance Center Suite 3900, Detroit, Michigan 48243-1313					
•	Ma 4: ::	Affiliate Name		-		5 FDIC	SEC
8.3 8.4	If the response to 8 regulatory services	liated with one or more banks, thrifts or securities firms? 3.3 is yes, please provide below the names and locations (city and state of agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptro and the Securities Exchange Commission (SEC)] and identify the affiliate	ller of the Currency (OCC), the Federal Deposit Insurance		Yes	5 []	No [X]
8.2	·	s yes, please identify the name of the bank holding company.			V	יז	No tV
8.1		ubsidiary of a bank holding company regulated with the Federal Reserve	Board?		Yes	[]	No [X]
		1 Nationality	2 Type of Entity				
	7.21 State th 7.22 State th	e percentage of foreign control e nationality(s) of the foreign person(s) or entity(s); or if the entity is a mut -in-fact and identify the type of entity(s) (e.g., individual, corporation, gove	ernment, manager or attorney-in-fact).				%
7.1 7.2	Does any foreign (non-United States) person or entity directly or indirectly control 10% or mo	ore of the reporting entity?		Yes	[]	No [X]
6.1		entity had any Certificates of Authority, licenses or registrations (including tal entity during the reporting period? rmation:	corporate registration, if applicable) suspended or revoked		Yes	[]	No [X]
0.4	BCN Service Con	• •					MI
	Blue Care of Mic	•			52037		MI
		1 Name of Entity		C	2 NAIC ompany Code		3 State of Domicile
5.2	If the answer is YE	S, complete and file the merger history data file with the NAIC. name of entity, NAIC company code, and state of domicile (use two letter		а			
5.1	4.22 renewal		by this statement?		Yes	[X]	No []
4.2	receive credit or co	covered by this statement, did any sales/service organization owned in whommissions for or control a substantial part (more than 20 percent of any now business?				:[X]	No[]
		ent of any major line of business measured on direct premiums) of: new business? s?			Yes Yes		No [X]
3.6 4.1	Have all of the recommendations within the latest financial examination report been complied with? During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part					[]	N/A [X]
3.5	statement filed with	•	·	Yes [•		N/A [X]
3.4	By what departmen	 This is the release date or completion date of the examination report an at or departments? ent of Insurance and Financial Services 	u not the date of the examination (balance sheet date).		00/1	5/201	<u> </u>
3.3	This date should be the date of the examined balance sheet and not the date the report was completed or released. State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or						5
3.2		e that the latest financial examination of the reporting entity was made of is a	· ·				
2.2 3.1	If yes, date of chan	ge: ate the latest financial examination of the reporting entity was made or is b	seing made			1/201	
2.1	Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?					:[]	No [X]
1.4 1.5	· -	ity publicly traded or a member of publicly traded group? 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for	r the entity/aroun		Yes	[]	No [X
1.3	State regulating?						
1.2	If yes, did the report official of the state similar to the stand System Regulatory	rting entity register and file with its domiciliary State Insurance Commissio of domicile of the principal insurer in the Holding Company System, a regi ards adopted by the National Association of Insurance Commissioners (Nat Act and model regulations pertaining thereto, or is the reporting entity su	stration statement providing disclosure substantially AIC) in its Model Insurance Holding Company	Yes [X	1 No	[]	N/A []
		thedule Y, Parts 1, 1A and 2.	of more anniated percents, one of more of minor to air mou	01.	100	[,,]	

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

10.5 10.6								
11.	What is the name, address and affiliation (officer of the individual providing the statement of actua Adam Dee, FSA, MAAA, Director, Enterprise Ac	/employee of the reporting entity or actuary/consultrial opinion/certification?	ant associated with an actuarial consulting firm) n and Blue Care Network of Michigan, 600 Lafayette E	ast.				
12.1	12.11 Name of real estate holding company	real estate holding company or otherwise hold real	estate indirectly?		Yes[]	No [X]		
	12.12 Number of parcels involved 12.13 Total book/adjusted carrying value							
12.2	If yes, provide explanation			-				
13. 13.1	FOR UNITED STATES BRANCHES OF ALIEN What changes have been made during the year	REPORTING ENTITIES ONLY: in the United States manager or the United States to	rustees of the reporting entity?					
13.2	Does this statement contain all business transac	ted for the reporting entity through its United States	Branch on risks wherever located?		Yes[]	No []		
13.3	Have there been any changes made to any of th	v ,		V [1	Yes []	No []		
13.4 14.1	If answer to (13.3) is yes, has the domiciliary or each the senior officers (principal executive officers	, ,,	er or controller, or persons performing similar	Yes[]	No []	N/A []		
	Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity; (c) Compliance with applicable governmental laws, rules and regulations; (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and							
14.11	(e) Accountability for adherence to the cod If the response to 14.1 is no, please explain:							
14.2 14.21	·							
14.3 14.31								
15.1	Is the reporting entity the beneficiary of a Letter of Bank List?	of Credit that is unrelated to reinsurance where the	issuing or confirming bank is not on the SVO		V []	Na IVI		
15.2	If the response to 15.1 is yes, indicate the Amerithe Letter of Credit and describe the circumstance		Yes[]	No [X]				
	1	2	3 Circumstances That Can Trigger		4			
	American Bankers Association (ABA) Routing Number Issuing or Confirming Bank Name Circumstances That Can Trigger the Letter of Credit				Amount			
		DOADD OF DIDECT	ODC .	\$				
16.	Is the purchase or sale of all investments of the r	BOARD OF DIRECT eporting entity passed upon either by the Board of			Yes[X]	No[]		
17.		nent record of the proceedings of its Board of Direct			Yes[X]	No[]		
18.		e for disclosure to its Board of Directors or trustees sible employees that is in conflict or is likely to conf			Yes[X]	No[]		
	or any or its officers, directors, trustees or respon	FINANCIAL	not with the official dates of such person:		103[7]	NO[]		
19.	Has this statement been prepared using a basis		ciples (e.g., Generally Accepted Accounting Principles)?		Yes[]	No [X]		
20.1	Total amount loaned during the year (inclusive o	f Separate Accounts, exclusive of policy loans):						
	20.11 To directors or other officers20.12 To stockholders not officers			\$ \$		0		
	20.13 Trustees, supreme or grand (Fratema	al only)		\$		0		
20.2		vear (inclusive of Separate Accounts, exclusive of p	olicy loans):	<u>, </u>				
	20.21 To directors or other officers			\$		0		
	20.22 To stockholders not officers20.23 Trustees, supreme or grand (Fraterna	ol only)				0		
21.1	, ,	ect to a contractual obligation to transfer to another	party without the liability for such obligation					
04.0	being reporting in the statement?	of the annual const			Yes[]	No [X]		
21.2	If yes, state the amount thereof at December 31 21.21 Rented from others	or the current year:		\$		0		
	21.22 Borrowed from others			\$		0		
	21.23 Leased from others			\$		0		
20.4	21.24 Other	monto ao describe dia dec. Asses di O.C. Constituto	offens of how there are not a first or	\$		0		
22.1	Does this statement include payments for assess guaranty association assessments?	ments as described in the Annual Statement Instru	cuons other than guaranty tund of		Yes[X]	No []		
22.2	If answer is yes:			•		_		
	22.21 Amount paid as losses or risk adjustn22.22 Amount paid as expenses	nent		<u>\$</u> \$	21 QU	0 0,212		
	22.23 Other amounts paid			\$		0		
	Does the reporting entity report any amounts due	form and subsidiaries or efflicted as Dans O	this statement?		Yes [X]	No []		

23.2

Statement as of December 31, 2018 of the Blue Care Network of Michigan

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

\$ 11,690,814

				INVESTMENT					
24.01		the stocks, bonds and other securities owned Decem tual possession of the reporting entity on said date (of		urrent year, over which the reportin		usive control,		Yes[X]	No []
24.02	If no, give full and complete information, relating thereto:								
24.03		rity lending programs, provide a description of the pro I is carried on or off-balance sheet (an alternative is to				ities, and whether			
24.04		e company's security lending program meet the require	d Capital Instructions?	Yes[]	No []	N/A [X]			
24.05		er to 24.04 is yes, report amount of collateral for confo		rams.			\$		0
24.06		er to 24.04 is no, report amount of collateral for other p	Ū				\$		0
24.07	Does you of the co	ur securities lending program require 102% (domestic ntract?	securities)	and 105% (foreign securities) from	the counterparty	at the outset	Yes[]	No[]	N/A [X]
24.08	Does the	e reporting entity non-admit when the collateral receive	ed from the	counterparty falls below 100%?			Yes[]	No []	N/A [X]
24.09.		e reporting entity or the reporting entity's securities len securities lending?	ding agent	utilize the Master Securities Lendin	ng Agreement (M	SLA) to	Yes[]	No[]	N/A [X]
24.10		eporting entity's security lending program, state the ar	mount of th	e following as of December 31 of the	ne current year:				
		Total fair value of reinvested collateral assets reporte		•	,		\$		0
	24.102	Total book adjusted/carrying value of reinvested colla	teral assets	s reported on Schedule DL, Parts 1	and 2:		\$		0
		Total payable for securities lending reported on the lia					\$		0
25.1	Were an	y of the stocks, bonds or other assets of the reporting porting entity or has the reporting entity sold or transfe s subject to Interrogatory 21.1 and 24.03.)	entity own	ed at December 31 of the current y			-	Yes[X]	No []
25.2		ate the amount thereof at December 31 of the current	vear.					100[7]	110[]
	25.21	Subject to repurchase agreements	,				\$		0
	25.22	Subject to reverse repurchase agreements					\$		0
	25.23	Subject to dollar repurchase agreements					\$		0
	25.24	Subject to reverse dollar repurchase agreements					\$ \$		0
	25.25								0
		Placed under option agreements	~ FULD C	anital Ctack			\$		
	25.26	Letter stock or securities restricted as sale – excludir	ig FHLB Ca	apitai Stock			\$		0
	25.27	FHLB Capital Stock					\$		05,500
	25.28	On deposit with states					\$	1,00	00,000
	25.29	On deposit with other regulatory bodies					\$		0
	25.30	Pledged as collateral – excluding collateral pledged					\$		0
	25.31	Pledged as collateral to FHLB – including assets bac	king fundir	ng agreements			\$	54,9	14,119
	25.32	Other					\$		200
25.3	For cate	gory (25.26) provide the following:					1		
		1 Nature of Restriction		Des	2 cription		\$	3 Amount	i
26.1	Does the	e reporting entity have any hedging transactions repor	ted on Sch	edule DR?				Yes[]	No [X]
26.2	If yes, ha	as a comprehensive description of the hedging progra ach a description with this statement.			e?		Yes[]	No[]	N/A [X]
27.1	convertib	y preferred stocks or bonds owned as of December 3 ble into equity?		rent year mandatorily convertible ir	nto equity, or, at t	he option of the issuer,	Φ.	Yes[]	No [X]
27.2 28.	•	ate the amount thereof at December 31 of the current g items in Schedule E-Part 3-Special Deposits, real e	•	gage loans and investments held p	hysically in the re	porting entity's	<u>\$</u>		0
	custodial	raults or safety deposit boxes, were all stocks, bonds a I agreement with a qualified bank or trust company in Il Functions, Custodial or Safekeeping Agreements of	accordance the NAIC I	e with Section 1, III - General Exam Financial Condition Examiners Han	ination Consider dbook?	ations, F. Outsourcing		Yes[X]	No[]
	28.01	For agreements that comply with the requirements of	the NAIC	Financial Condition Examiners Har	ndbook, complete				
		1 Name of Custo	odion(o)			2 Custodian's A	\ ddrooo		
			odian(s)		004 Danası İvas				
		State Street Bank and Trust Company				iia, Kansas City, MO 641			
		Fidelity Investments Institutional Operations Co.				/ay KW2B Covington, KY			
		Federal Home Loan Bank of Indianapolis				Crossing Blvd. Indianapo	olis, IN 46240		
	28.02	For all agreements that do not comply with the requir location and a complete explanation	ements of	the NAIC Financial Condition Exan	niners Handbook,	provide the name,			
1 2 3 Name(s) Location(s) Complete Exp					anation(s)				
	28.03	Have there been any changes, including name changes	ges, in the	custodian(s) identified in 28.01 dur	Ing the current ve	ar?		Yes[]	No [X]
	28.04 If yes, give full and complete information relating thereto:								
		1		2 3			-	4	
		Old Custodian		New Custodian		Date of Change	Ke	ason	
	28.05	Investment management – Identify all investment adv	vienre invo	stment managers, broker/dealers	ncludina individu	als that have the outborit	V		
		to make investment decisions on behalf of the reportion note as such. ["that have access to the investment	ing entity. I	For assets that are managed intern			J		

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name of Firm or Individual	2 Affiliation
Blue Cross Blue Shield of Michigan	A
Loomis Sayles	U
Los Angeles Capital Management and Equity Research, Inc.	U
Arrowstreet Capital Limited Partnership	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets?

Yes[] No[X]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes [] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information

for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
	Blue Cross Blue Shield of Michigan			
105377	Loomis Sayles	04-3200030	SEC	NO
119033	Los Angeles Capital Management and Equity Research, Inc.	549300DZCL1LRBNVU327	SEC	NO
111298	Arrowstreet Capital Limited Partnership	LO3UDTZUGORICVPFGQ5	SEC	NO

Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? 29.1

Yes[X] No[]

If was complete the following schedule: 29.2

if yes, comp	nete tn	e toi	owing schedule:		
1 CUSIP			2 Name of Mutual Fund	Во	3 ook/Adjusted Carrying Value
316146	10	9	FIDELITY INVESTMENT GR BOND	\$	71,677
701769	40	8	PARNASSUS EQUITY IS	\$	11,903
01853W	70	9	AB GLOBAL Z	\$	22,841
411511	50	4	HARBOR CAPITAL APPRECIA-INST	\$	14,455
880196	87	8	TEMPLETON FOREIGN FUND-R6	\$	183,559
78081A	30	3	ROYCE PA MUTUAL INST	\$	4,820
378690	82	0	GLENMEDE SM CAP EQUITY	\$	3,516
315911	75	0	FIDELITY 500 INDEX IPR	\$	17,704
315911	72	7	FIDELITY INTERNATIONAL INDEX IPR	\$	8,433
92646A	82	3	VICTORY SPECIAL VALULE I	\$	5,981
315794	79	2	FIDELITY FREEDOM 2015 K FUND	\$	149,163
315794	78	4	FIDELITY FREEDOM 2020 K FUND	\$	121,929
315794	77	6	FIDELITY FREEDOM 2025 K FUND	\$	89,124
74253Q	74	7	PRINCIPAL MIDCAP FUND-INS	\$	6,789
315794	75	0	FIDELITY FREEDOM 2035 K FUND	\$	35,472
29.2999 T	OTAL			\$	747,366

29.3

For each mutual fund listed in the table above, complete				
1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	Book/Ad Value At	3 of Mutual Fund's ljusted Carrying tributable to the Holding	4 Date of Valuation
Fid Inv Gr Bond	T 2 3/4 06/30/25	\$	5,690	12/31/2018
Fid Inv Gr Bond	T 1 3/406/30/22	\$	5.219	12/31/2018
Fid Inv Gr Bond	T 3 09/30/25	\$	3.852	12/31/2018
Fid Inv Gr Bond	T 2 1/2 03/31/23	\$	2,519	12/31/2018
Fid Inv Gr Bond	T 2 3/8 05/15/27	\$	2,503	12/31/2018
Parnassus Equity IS	Walt Disney Co.	\$	579	12/31/2018
Parnassus Equity IS	Linde PLC	\$	562	12/31/2018
Parnassus Equity IS	CVS Health Corp	\$	544	12/31/2018
Parnassus Equity IS	3m Co	\$	480	12/31/2018
Parnassus Equity IS	Clorox Co	\$	452	12/31/2018
AB Global Bond Z	CAN 1 3/4 3/01/23	\$	1,285	12/31/2018
AB Global Bond Z	JGBI 0.1 03/10/28	\$	623	12/31/2018
AB Global Bond Z	TII 17/8 07/15/19	\$	564	12/31/2018
AB Global Bond Z	DBR 2 1/207/04/44	\$	527	12/31/2018
AB Global Bond Z	CANHOU 1 1/4 06/15/21	\$	439	12/31/2018
Harbor Cap App Inst	AMAZON.COM	\$	902	12/31/2018
Harbor Cap App Inst	MICROSOFT CORP	\$	698	12/31/2018
Harbor Cap App Inst	APPLE	\$	640	12/31/2018
Harbor Cap App Inst	MASTERCARD	\$	568	12/31/2018

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Harban Can Ann Inst	NETELIV	e	40/04/0040
Harbor Cap App Inst	NETFLIX	\$ 522	
Templeton Foreign R6	SAMSUNG ELECTRONICS	\$ 7,664	
Templeton Foreign R6	BP PLC	\$ 7,664	
Templeton Foreign R6	ROYAL DUTCH SHELL	\$ 5,485	
Templeton Foreign R6	TEVA PHARMACEUTICAL	\$ 4,776	
Templeton Foreign R6	STANDARD CHARTERED PLC	\$ 4,295	
Royce PA Mutual Inst	FLIR SYSTEMS	\$ 99	12/31/2018
Royce PA Mutual Inst	FIRST CITIZENS BANCHSARES	\$ 75	
Royce PA Mutual Inst	QUAKER CHEMICAL	\$ 70	12/31/2018
Royce PA Mutual Inst	SUN HYDRAULICS	\$ 62	
Royce PA Mutual Inst	RAVEN INDUSTRIES	\$ 62	12/31/2018
Glenmede Sm Cap E IS	FIXED INC CLEARING CORP	\$ 112	12/31/2018
Glenmede Sm Cap E IS	FNB CORP/PA	\$ 67	12/31/2018
Glenmede Sm Cap E IS	VONAGE HOLDINGS	\$ 56	12/31/2018
Glenmede Sm Cap E IS	VERINT SYSTEMS	\$ 55	12/31/2018
Glenmede Sm Cap E IS	MASTEC	\$ 54	12/31/2018
Fid 500 Index IPR	MICROSOFT CORP	\$ 638	12/31/2018
Fid 500 Index IPR	APPLE	\$ 615	12/31/2018
Fid 500 Index IPR	AMAZON.COM	\$ 520	12/31/2018
Fid 500 Index IPR	BERKSHIRE HATHAWAY	\$ 319	12/31/2018
Fid 500 Index IPR	JOHNSON & JOHNSON	\$ 296	12/31/2018
Fid Intl Index IPR	MSCI EAFE	\$ 430	12/31/2018
Fid Intl Index IPR	NESTLE SA	\$ 152	12/31/2018
Fid Intl Index IPR	NOVARTIS AG	\$ 115	12/31/2018
Fid Intl Index IPR	ROCHE HOLDINGS	\$ 106	12/31/2018
Fid Intl Index IPR	HSBC HOLDINGS	\$ 99	
Victory Special Value I	apple	\$ 318	
Victory Special Value I	MICROSOFT CORP	\$ 297	
Victory Special Value I	ALPHABET	\$ 256	
Victory Special Value I	AMAZON.COM	\$ 199	
Victory Special Value I	BERKSHIRE HATHAWAY	\$ 133	
Fid Freedom 2015 K	FIDELITY SERIES INVESTMENT G	\$ 40,967	
Fid Freedom 2015 K	FIDELITY SERIES GOVERNMENT	\$ 13,790	
Fid Freedom 2015 K	FIDELITY SERIES INFLATION	\$ 11,123	
Fid Freedom 2015 K	FIDELITY SERIES EMERGING MARKET	\$ 8,268	
Fid Freedom 2015 K	FIDLEITY SERIES LONG TERM	\$ 8,055	
Fid Freedom 2020 K	FIDELITY SERIES INVESTMENT G	\$ 29,602	
Fid Freedom 2020 K	FIDELITY SERIES GOVERNMENT	\$ 8,639	
		\$ 7,495	
Fid Freedom 2020 K	FIDLELITY SERIES EMERGING	, ,	
Fid Freedom 2020 K	FIDELITY SERIES INTRINSIC OPP FIDELITY SERIES INFLATION PROT		
Fid Freedom 2020 K		,	
Fid Freedom 2025 K	FIDELITY SERIES INVESTMENT G	\$ 18,442	
Fid Freedom 2025 K	FIDELITY SERIES EMERGING MARKET	\$ 5,933	
Fid Freedom 2025 K	FIDELITY SERIES INTRINSIC OPP	\$ 5,917	
Fid Freedom 2025 K	FIDELITY SERIES INTERNATIONAL	\$ 5,504	
Fid Freedom 2025 K	FIDLEITY SERIES LONG TERM	\$ 5,457	
PIF Midcap Fund I	TRANSDIGM GROUP	\$ 304	
PIF Midcap Fund I	SBA COMMUNICATIONS	\$ 304	
PIF Midcap Fund I	BROOKFIELD ASSET MANAGEMENT	\$ 291	
PIF Midcap Fund I	O'REILLY AUTOMOTIVE	\$ 261	
PIF Midcap Fund I	MARKEL CORP	\$ 246	
Fid Freedom 2035 K	FIDELITY SERIES INTRINSIC OPP	\$ 3,530	
Fid Freedom 2035 K	FIDELITY SERIES INTERNATIONAL	\$ 3,105	
Fid Freedom 2035 K	FIDELITY SERIES EMERGING MARKET	\$ 3,083	12/31/2018
Fid Freedom 2035 K	FIDELITY SERIES INTERNATIONAL	\$ 3,043	12/31/2018
Fid Freedom 2035 K	FIDELITY SERIES LAREGE CAP STOCK	\$ 3,004	12/31/2018

Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

		1 Statement (Admitted) Value	2 Fair Value	3 cess of Statement over Fair alue (-), or Fair Value over Statement (+)
30.1	Bonds	\$ 1,866,189,102	\$ 1,864,841,130	\$ (1,347,972)
30.2	Preferred Stocks	\$ 0	\$ 0	\$ 0
30.3	Totals	\$ 1,866,189,102	\$ 1,864,841,130	\$ (1,347,972)

Describe the sources or methods utilized in determining the fair values:

37.1

37 2

Statement as of December 31, 2018 of the Blue Care Network of Michigan

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Custodians and Thomson Reuters are the sources for fair values. 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[] 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [] 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D: 32 1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[] 32.2 If no, list exceptions: 33. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designation 5GI security: a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available. Issuer or obligor is current on all contracted interest and principal payments. b. The insurer has an actual expectation of ultimate payment of all contracted interest and principal. Has the reporting entity self-designated 5GI securities? Yes [X] No [] By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security: a. The security was purchased prior to January 1, 2018. b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is C. shown on a current private letter rating held by the insurer and available for examination by state insurance regulators. d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO. Has the reporting entity self-designated PLGI securities? Yes[] No[X] OTHER 35.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? 1,536,635 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to 35.2 trade associations, service organizations and statistical or rating bureaus during the period covered by this statement. Amount Paid Name American Association of Health Plans 838,384 Blue Cross Blue Shield Association 698,251 \$ 36.1 \$ 0 Amount of payments for legal expenses, if any? 36.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement. Name Amount Paid \$

connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.						
1	2					
Name	Amount Paid					
	\$					

\$

0

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 [Does tl	ne reporting entity have any direct Medicare Sup	plement Insurar	nce in force?				Yes[X] No[]
1.2 I	f yes, i	ndicate premium earned on U.S. business only.					\$	34,903,860
1.3 \	What p	ortion of Item (1.2) is not reported on the Medica	are Supplement	Insurance Experience Exhibit?			\$	0
	1.31	Reason for excluding:						
1.4	Indica	te amount of earned premium attributable to Car	nadian and/or O	ther Alien not included in Item (1.2) above.		\$	0
1.5	Indica	te total incurred claims on all Medicare Supplem	ent insurance.				\$	24,004,797
1.6	ndivid	ual policies:						
ı	Most c	urrent three years:						
	1.61	Total premium earned					\$	9,253,602
	1.62	Total incurred claims					\$	6,757,412
	1.63	Number of covered lives						3,791
,	All yea	rs prior to most current three years:						
	1.64	Total premium earned					\$	25,650,258
	1.65	Total incurred claims					\$	17,247,385
	1.66	Number of covered lives						8,623
1.7 (Group	policies:						
ı	Most c	urrent three years:						
	1.71	Total premium earned					\$	0
	1.72	Total incurred claims					\$	0
	1.73	Number of covered lives						0
,	All yea	rs prior to most current three years:						
	1.74	Total premium earned					\$	0
	1.75	Total incurred claims					\$	0
	1.76	Number of covered lives					-	0
2. I	Health	Test:						
				1		2		
				Current Year		Prior Year		
	2.1	Premium Numerator	\$	4,214,605,940	\$	3,588,195,308		
	2.2	Premium Denominator	\$	4,214,605,940	\$	3,588,195,308		
	2.3	Premium Ratio (2.1/2.2)		100.0%		100.0%		
2	2.4	Reserve Numerator	\$	538,088,024	\$	477,415,312		
2	2.5	Reserve Denominator	\$	538,088,024	\$	477,415,312		
2	2.6	Reserve Ratio (2.4/2.5)		100.0%		100.0%		
		e reporting entity received any endowment or gift if the earnings of the reporting entity permits?	t from contracting	g hospitals, physicians, dentists	, or others that is	s agreed will be returned when,		Yes[] No[X]
		give particulars:						.00[][]
	, , , ,	y. • F						
1.1 I	Have c	opies of all agreements stating the period and na	ature of hospital	s' nhysicians' and dentists' car	a offered to subs	scribers and dependents been		
		th the appropriate regulatory agency?	ature of floopituit	o, priyololario, aria deritioto dar	c oncrea to subt	sonboro ana aopenaemo been		Yes[X] No[]
1.2 I	f not p	reviously filed, furnish herewith a copy(ies) of sur	ch agreement(s)). Do these agreements include	additional benef	îts offered?		Yes[] No[]
5.1 [Does tl	ne reporting entity have stop-loss reinsurance?						Yes[X] No[]
5.2	lf no, e	xplain:						
		um retained risk (see instructions)					Φ.	450,000
	5.31	Comprehensive Medical					\$	150,000
	5.32	Medical Only					\$	0
	5.33	Medicare Supplement					\$	0
	5.34	Dental and Vision					\$	0
	5.35	Other Limited Benefit Plan					\$	0
;	5.36	Other					\$	0
;	5.36	Other Determined benefit if harmonic in the properties are a second to be a seco	ave to protect su	ubscribers and their dependents	s against the risk	of insolvency including hold	<u>-</u>	-

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

Hold harmless provisions are included in contracts with providers. BCN has stop-loss coverage through an affiliate which includes an insolvency $\underline{\text{clause. In addition, BCN holds a state-mandated cash deposit and BCN members have conversion rights to BCBSM coverage}$

Does the reporting entity set up its claim liability for provider services on a service date basis? 7 1

Yes[X] No[]

267,726,392 Yes[] No[X]

If no, give details

Provide the following information regarding participating providers:

٠.		
	8.1 Number of providers at start of reporting year	55,167
	8.2 Number of providers at end of reporting year	58,949
9.1	Does the reporting entity have business subject to premium rate guarantees?	Yes [] No [X]
9.2	If yes, direct premium earned:	
	9.21 Business with rate guarantees with rate guarantees between 15-36 months	\$ 0
	9.22 Business with rate guarantees over 36 months	\$ 0
10.1	Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?	Yes[X] No[]
10.2	If yes:	
	10.21 Maximum amount payable bonuses	104,048,124
	10.22 Amount actually paid for year bonuses	67,456,138
	10.23 Maximum amount payable withholds	10,730,879
	10.24 Amount actually paid for year withholds	9,705,918
11.1	Is the reporting entity organized as:	
	11.12 A Medical Group/Staff Model,	Yes[] No[X]
	11.13 An Individual Practice Association (IPA), or,	Yes[X] No[]
	11.14 A Mixed Model (combination of above)?	Yes[] No[X]
11.2	Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?	Yes [X] No []

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? 11.6

11.4 If yes, show the amount required.

11.3

If the amount is calculated, show the calculation The greater of: 4% of subscription revenue: $$4,244,142,605 \times 4\% = $169,765,704 \text{ or } 2 \text{ times authorized control level risk-based capital: } 2 \times 1000 \times 100$ <u>\$133,863,196</u> = \$267,726,392

If yes, show the name of the state requiring such minimum capital and surplus.

12. List service areas in which reporting entity is licensed to operate:

Name of Service Area ALCONA ALGER ALLEGAN ALPENA ANTRIM ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE GRATIOT	1
ALGER ALLEGAN ALPENA ANTRIM ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CLIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	Name of Service Area
ALLEGAN ALPENA ANTRIM ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	
ALPENA ANTRIM ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	ALGER
ANTRIM ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	ALLEGAN
ARENAC BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	ALPENA
BARAGA BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	
BARRY BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	ARENAC
BAY BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BARAGA
BENZIE BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BARRY
BERRIEN BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BAY
BRANCH CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BENZIE
CALHOUN CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BERRIEN
CASS CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	BRANCH
CHARLEVOIX CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CALHOUN
CHEBOYGAN CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CASS
CHIPPEWA CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CHARLEVOIX
CLARE CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CHEBOYGAN
CLINTON CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CHIPPEWA
CRAWFORD DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CLARE
DELTA DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CLINTON
DICKINSON EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	CRAWFORD
EATON EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	DELTA
EMMET GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	DICKINSON
GENESEE GLADWIN GOGEBIC GRAND TRAVERSE	EATON
GLADWIN GOGEBIC GRAND TRAVERSE	EMMET
GOGEBIC GRAND TRAVERSE	GENESEE
GRAND TRAVERSE	GLADWIN
	GOGEBIC
GRATIOT	GRAND TRAVERSE
	GRATIOT

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

	PAR
HILLSDALE	
HOUGHTON	
HURON	
INGHAM	
IONIA	
IOSCO	
IRON	
ISABELLA	
JACKSON	
KALAMAZOO	
KALKASKA	
KENT	
KEWEENAW	
LAKE	
LAPEER	
LEELANAU	
LENAWEE	
LIVINGSTON	
LUCE	
MACKINAC	
MACOMB	
MANISTEE	
MARQUETTE	
MASON	
MECOSTA	
MENOMINEE	
MIDLAND	
MISSAUKEE	
MONROE	
MONTCALM	
MONTMORENCY	
MUSKEGON	
NEWAYGO	
OAKLAND	
OCEANA	
OGEMAW	
ONTONAGON	
OSCEOLA	
OSCODA	
OTSEGO	
OTTAWA	
PRESQUE ISLE	
ROSCOMMON	
SAGINAW	
SANILAC	
SCHOOLCRAFT	
SHIAWASSEE	
ST. CLAIR	
ST. JOSEPH	
TUSCOLA	
VAN BUREN	
WASHTENAW	
WAYNE	
WEXFORD	
Do you act as a custodian for health savings accounts?	

13.1

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

13.3 Do you act as an administrator for health savings accounts?

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? 14.1

	Yes[]	No [X]
\$		0
	Yes[]	No [X]
\$		0
Yes [X]	No []	N/A []

14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit			
	NAIC			5	7		
Company	Company	Domiciliary	Reserve	Letters of	Trust		
Name	Code	Jurisdiction	Credit	Credit	Agreements	Other	
Woodward Straits Insurance Company	15649	MI	\$	\$	\$	\$	

Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded). 15.

15.1 Direct Premium Written

Total Incurred Claims

15.3 Number of Covered Lives

	Ψ	0
	\$	0
		0
*Ordinary Life Insurance Includes		

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

16.	Is the reporting entity licensed or charted, registered, qualified, eligible or writing business in at least two states?	Yes [] No [X]
-----	--------------------------------------------------------------------------------------------------------------------------	----------------

If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? 16.1 Yes [] No [X]

Statement as of December 31, 2018 of the Blue Care Network of Michigan **FIVE-YEAR HISTORICAL DATA**

	1 2018	2 2017	3 2016	4 2015	5 2014
Balance Sheet Items (Pages 2 and 3)	2010	2011	2010	2010	2014
Total admitted assets (Page 2, Line 28)	2,402,759,194	2,154,410,987	1,864,163,158	1,847,797,036	1,799,329,626
Total liabilities (Page 3, Line 24)		755,462,978	741,135,729		785,840,061
Statutory minimum capital and surplus requirement		224,027,496	213,029,712		205,292,068
4. Total capital and surplus (Page 3, Line 33)		1,398,948,009	1,123,027,429		1,013,489,565
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	4,239,170,787	3,580,954,463	3,399,337,903	3,252,461,237	2,992,075,511
Total medical and hospital expenses (Line 18)	3,420,966,912	2,943,352,612	2,848,031,512	2,738,379,632	2,506,138,058
7. Claims adjustment expenses (Line 20)	172,017,150	133,534,693	151,081,260	157,147,960	143,107,859
8. Total administrative expenses (Line 21)	440,287,248	309,904,275	343,174,600	358,782,411	354,128,060
9. Net underwriting gain (loss) (Line 24)		194,162,883	57,050,531	(1,848,766)	(11,298,466)
10. Net investment gain (loss) (Line 27)	45,082,438	50,138,269	37,227,119	22,388,228	29,428,352
11. Total other income (Lines 28 plus 29)			358,268	(1,650,363)	(267,722)
12. Net income or (loss) (Line 32)	250,612,170	242,457,052	93,756,107	18,045,229	17,316,778
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	280,665,011	241,099,446	103,925,272	31,904,085	184,130,593
Risk-Based Capital Analysis					
14. Total adjusted capital	1,609,353,975	1,398,948,009	1,123,027,429	1,026,506,477	1,013,489,565
15. Authorized control level risk-based capital	133,863,196	112,013,748	106,514,856	103,157,075	102,646,034
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	738,743	689,351	669,741	670,254	652,857
17. Total member months (Column 6, Line 7)	8,912,663	8,197,092	8,078,307	8,025,758	7,489,166
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).	80.7	82.2	83.8	84.6	84.3
20. Cost containment expenses	2.3	2.2	2.2	2.6	2.5
21. Other claims adjustment expenses	1.8	1.6	2.2	2.3	2.3
22. Total underwriting deductions (Line 23)	95.1	94.7	98.3	100.5	101.0
23. Total underwriting gain (loss) (Line 24)	4.9	5.3	1.7	(0.1)	(0.4)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	370,506,869	390,239,236	380,583,171	378,061,458	293,154,704
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	349,161,914	371,212,409	383,517,990	354,234,633	297,438,486
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)			14,008,633	14,838,172	15,023,649
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					161,019,373
32. Total of above Lines 26 to 31	0	0	14,008,633	14,838,172	176,043,022
33. Total investment in parent included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? If no, please explain:

Yes[X] No[]

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		I	0	2		Direct Busin		7		
			2	3	4	5 Federal Employees	6 Life & Annuity	7	8	9
		Active	Accident			Health	Premiums and	Property/	Total	Deposit-
	State, Etc.	Status (a)	& Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Benefits Plan Premiums	Other Considerations	Casualty Premiums	Columns 2 Through 7	Type Contracts
1.	AlabamaAL	N	1 Territoriis	TIUC AVIII	Title XIX	Tremiums	Considerations	1 Terrilums	0	Contracts
2.	AlaskaAK	N							0	
3.	ArizonaAZ	N							0	
4.	ArkansasAR	N							0	
5.	CaliforniaCA	N							0	
6.	ColoradoCO	N							0	
7.	ConnecticutCT	N							0	
8.	DelawareDE	N							0	
9.	District of ColumbiaDC	N							0	
10.	FloridaFL	N							0	
11.	GeorgiaGA	N							0	
12.	HawaiiHl	N							0	
13.	IdahoID	N							0	
14.	IllinoisIL	N							0	
15.	IndianaIN	N							0	
16.	lowaIA	N							0	
17.	KansasKS	N							0	
18.	KentuckyKY	N							0	
19.	LouisianaLA	N							0	
20.	MaineME	N							0	
21.	MarylandMD	N							0	
22.	MassachusettsMA	N							0	
23.	MichiganMI	L	.3,118,207,259	.1,006,988,625		116,781,546			4,241,977,430	
24.	MinnesotaMN	N							0	
25.	MississippiMS	N							0	
26.	MissouriMO	N							0	
27.	MontanaMT	N							0	
28.	NebraskaNE	N							0	
29.	NevadaNV	N							0	
30.	New HampshireNH	N							0	
31.	New JerseyNJ	N							0	
32.	New MexicoNM	N							0	
33.	New YorkNY North CarolinaNC	N							0	
34.	North DakotaND	N							0	
35. 36.	OhioOH	N							0	
30. 37.	OklahomaOK	N								
37. 38.	OregonOR								0	
30. 39.	PennsylvaniaPA								0	
39. 40.	Rhode IslandRI									
40. 41.	South CarolinaSC								0	
41. 42.	South DakotaSD								0	
42. 43.	TennesseeTN	N							0	
44.	TexasTX	N							0	
45.	UtahUT	N							0	
46.	VermontVT	N							0	
47.	VirginiaVA								0	
48.	WashingtonWA								0	
49.	West VirginiaWV	N							0	
50.	WisconsinWI	N							0	
51.	WyomingWY	N							0	
52.	American SamoaAS								0	
53.	GuamGU	N							0	
54.	Puerto RicoPR	N							0	
55.	U.S. Virgin IslandsVI	N							0	
56.	Northern Mariana IslandsMP	N							0	
57.	CanadaCAN	N							0	
58.	Aggregate Other alienOT	XXX	0	0	0	0	0	0	0	
59.	Subtotal	XXX	.3,118,207,259	.1,006,988,625	0	116,781,546	0	0	4,241,977,430	
60.	Reporting entity contributions for	XXX							2,165,175	
31.	Employee Benefit Plans Total (Direct Business)	XXX	2,165,175	1 006 988 625	0	116,781,546	0	0	4,244,142,605	
J1.	ו טומו (טוופטו מטווופסס)	^^^	.5, 120,512,454		TAILS OF WRITE		0	U	+,244,142,005	
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	. Summary of remaining write-ins for li			0	0	0	0	0	0	
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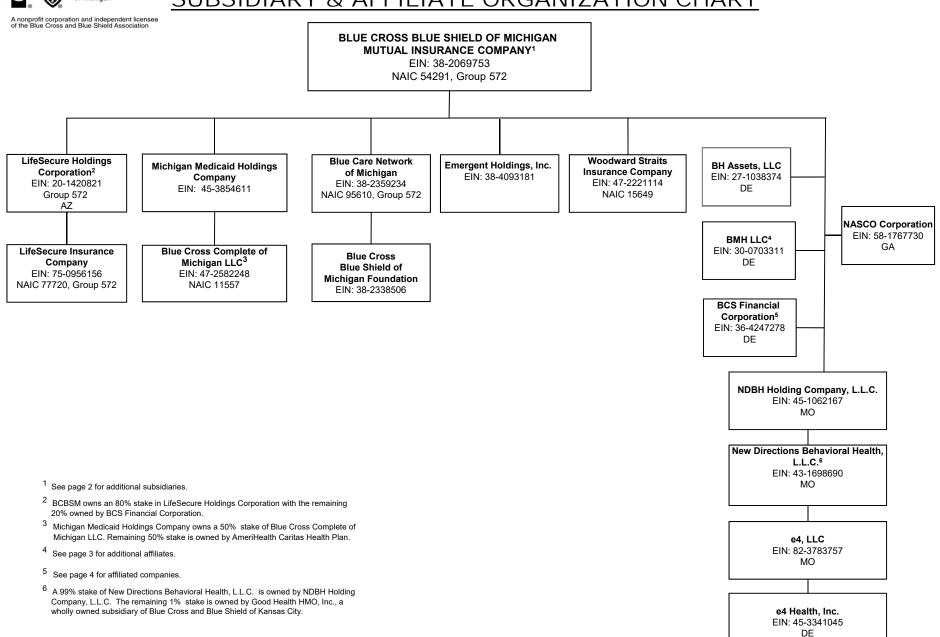
Explanation of basis of allocation by states, premiums by state, etc.

By Situs of Contract

(a) Active Status Counts:
L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG.......
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state

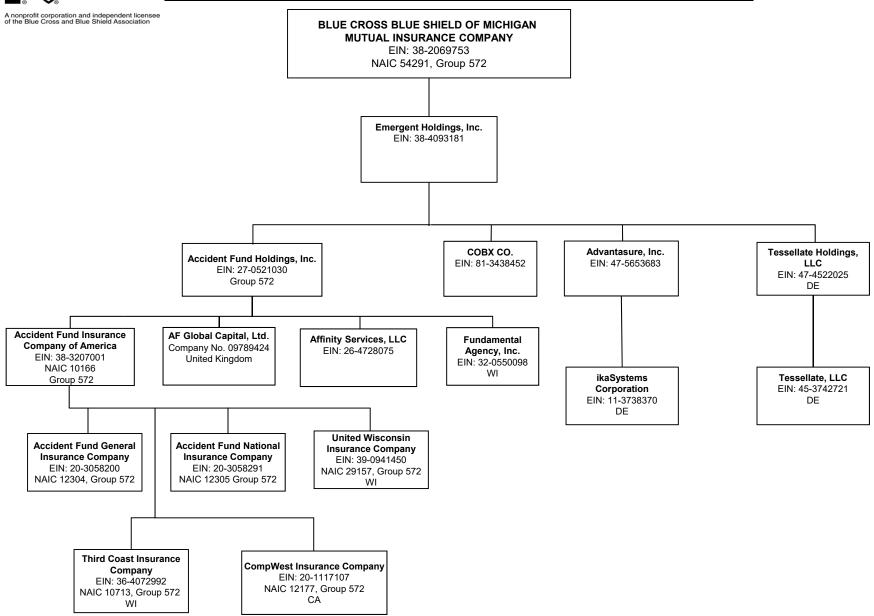


SUBSIDIARY & AFFILIATE ORGANIZATION CHART



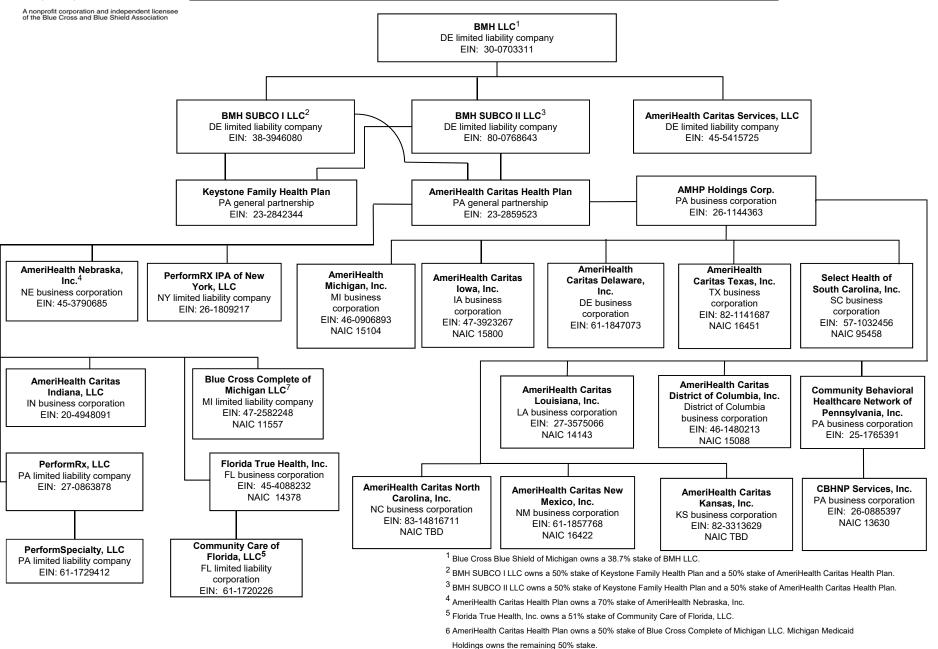


SUBSIDIARY & AFFILIATE ORGANIZATION CHART





SUBSIDIARY & AFFILIATE ORGANIZATION CHART

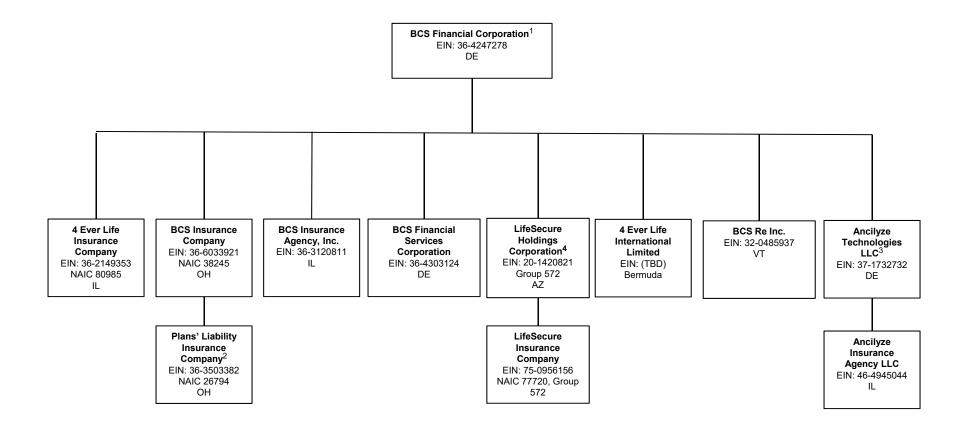


All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.



SUBSIDIARY & AFFILIATE ORGANIZATION CHART

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association



¹ Blue Cross Blue Shield of Michigan owns 10.1% of BCS Financial Corporation Accident Fund Insurance Company of America owns 3.56% of BCS Financial Corporation.

² BCS Financial Corporation owns a 6.64% of Plans' Liability Insurance

 $^{^{3}\,}$ BCS Financial Corporation owns 50% of Ancilyze Technologies LLC.

⁴ BCS Financial owns a 20% stake in LifeSecure Holdings Corporation with the remaining 80% owned by BCBSM.

2018 ALPHABETICAL INDEX HEALTH ANNUAL STATEMENT BLANK

IILALIII ANN	UAL 3	AIEMENIBLANK	
Analysis of Operations By Lines of Business	7	Schedule D – Part 6 – Section 2	E16
Assets	2	Schedule D – Summary By Country	SI04
Cash Flow	6	Schedule D – Verification Between Years	SI03
Exhibit 1 – Enrollment By Product Type for Health Business Only	17	Schedule DA – Part 1	E17
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18	Schedule DA – Verification Between Years	SI10
Exhibit 3 – Health Care Receivables	19	Schedule DB – Part A – Section 1	E18
Exhibit 3A – Health Care Receivables Collected and Accrued	20	Schedule DB – Part A – Section 2	E19
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	21	Schedule DB – Part A – Verification Between Years	SI11
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	22	Schedule DB – Part B – Section 1	E20
Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates	23	Schedule DB – Part B – Section 2	E21
Exhibit 7 – Part 1 – Summary of Transactions With Providers	24	Schedule DB – Part B – Verification Between Years	SI11
Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries	24	Schedule DB – Part C – Section 1	SI12
Exhibit 8 – Furniture, Equipment and Supplies Owned	25	Schedule DB – Part C – Section 2	SI13
Exhibit of Capital Gains (Losses)	15	Schedule DB – Part D – Section 1	E22
Exhibit of Net Investment Income	15	Schedule DB – Part D – Section 2	E23
Exhibit of Nonadmitted Assets	16	Schedule DB – Verification	SI14
Exhibit of Premiums, Enrollment and Utilization (State Page)	30	Schedule DL – Part 1	E24
Five-Year Historical Data	29	Schedule DL – Part 2	E25
General Interrogatories	27	Schedule E – Part 1 – Cash	E26
Jurat Page	1	Schedule E – Part 2 – Cash Equivalents	E27
Liabilities, Capital and Surplus	3	Schedule E – Verification Between Years	SI15
Notes To Financial Statements	26	Schedule E – Part 3 – Special Deposits	E28
Overflow Page For Write-ins	44	Schedule S – Part 1 – Section 2	31
Schedule A – Part 1	E01	Schedule S – Part 2	32
Schedule A – Part 2	E02	Schedule S – Part 3 – Section 2	33
Schedule A – Part 3	E03	Schedule S – Part 4	34
Schedule A – Verification Between Years	SI02	Schedule S – Part 5	35
Schedule B – Part 1	E04	Schedule S – Part 6	36
Schedule B – Part 2	E05	Schedule S – Part 7	37
Schedule B – Part 3	E06	Schedule T – Part 2 – Interstate Compact	39
Schedule B – Verification Between Years	SI02	Schedule T – Premiums and Other Considerations	38
Schedule BA – Part 1	E07	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	40
Schedule BA – Part 2	E08	Schedule Y – Part 1A – Detail of Insurance Holding Company System	41
Schedule BA – Part 3	E09	Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates	42
Schedule BA – Verification Between Years	SI03	Statement of Revenue and Expenses	4
Schedule D – Part 1	E10	Summary Investment Schedule	SI01
Schedule D – Part 1A – Section 1	SI05	Supplemental Exhibits and Schedules Interrogatories	43
Schedule D – Part 1A – Section 2	SI08	Underwriting and Investment Exhibit – Part 1	8
Schedule D – Part 2 – Section 1	E11	Underwriting and Investment Exhibit – Part 2	9
Schedule D – Part 2 – Section 2	E12	Underwriting and Investment Exhibit – Part 2A	10
Schedule D – Part 3	E13	Underwriting and Investment Exhibit – Part 2B	11
Schedule D – Part 4	E14	Underwriting and Investment Exhibit – Part 2C	12
Schedule D – Part 5	E15	Underwriting and Investment Exhibit – Part 2D	13
Schedule D – Part 6 – Section 1	E16	Underwriting and Investment Exhibit – Part 3	14